

KIRIN

Kirin Group

2016-2018 Medium-term Business Plan

Restructure and revitalize Kirin, groupwide

February, 2016

Kirin Holdings Company Limited

I would like to move straight on and present the Kirin Group 3-year business plan, which starts this year.

Current situation

► Started reforms, 2015 set as year zero of the new business plan:

- Unified management of Kirin Holdings & Kirin to speed up decision-making
- Launched revitalization of Japan beer business as top priority
- Started restructuring of Lion Dairy and Drinks business and Brazil business

Results to date

- **Japan beer business grew share for first time in 6 years**
⇒ Employee's mind set also shifted, energized by signs of revival
- **Acquired Myanmar Brewery – great growth potential**
- **Raised profitability at Lion Dairy and Drinks business**
- **Progress in overseas development of key Pharmaceutical products + growing expectations for immunotherapy**

Issues/ opportunities

- **Ensure sustained revival of Japan beer business**
- **Delays in restructuring Brazil business, impairment losses**
- **Slow recovery of profitability at Japan beverages business**

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2

First let me review what we have achieved in the past year and the issues we must address.

In 2015 our top priority was to revitalize our Japan beer business. Specifically we focused investment on our flagship brand Ichiban Shibori. And I am very pleased to say that as a result, for the first time in 6 years, we achieved a turnaround and grew our beer market share. Because of the increased brand investment, Kirin Brewery profits declined but we did beat our operating income target.

Our Japan beer business is truly the central pillar of the Kirin Group and its recovery will boost the motivation of employees right across the group. And I believe that the results we achieved last year have given our employees confidence. What we must do now is ensure that this recovery is the real thing and raise our power to generate cash.

Also, in August last year we acquired Myanmar Brewery, which has strong brands and a very high market share in Myanmar. The overall beer market in Myanmar is expected to grow strongly and to meet that demand growth we will increase our production capacity. We will also provide production technology, management knowhow, and human resources and build deep local management expertise. Post-merger integration of Myanmar is proceeding very well.

In other areas the profit revival plan at Lion Dairy & Drinks and new drug development at Kyowa Hakko Kirin are also proceeding in line with our initial plans.

Regarding the impairment loss at Brasil Kirin that we announced at the end of last year, in April 2015 Kirin assigned a dedicated director to Brasil Kirin, appointed a new local CEO and under a new framework we are working hand-in-hand with local management to restructure operations. Conditions are very tough and we have suffered a large fall in market share but we are beginning to make progress. Looking ahead we aim to restore top line growth while pursuing the urgent task of restructuring Brasil Kirin.

Finally, Kirin Beverage recorded double digit sales volume growth last year, but operating income was flat year on year, and results were below forecast. We will restructure the business, improving product mix and sales methods and aiming for profitable growth.

2016-18 Plan approach and aims

Initial steps of the transformation of Kirin have been taken in 2015 but the 2016 Business Plan aims to go much further:

- **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**

Our 2016-2018 plan has three key elements:

We will take bold action groupwide to restructure and revitalize Kirin with a focus on profitability

We have set clear priorities for the serious issues that must be addressed and we will make selective, focused allocation of resources.

And we will decisively implement our plans with full commitment to achieve our targets.

Some parts of our plans to restructure and revitalize Kirin Group are likely to take some time to show success. But as far as I am concerned I will swiftly assume leadership, decisively execute our plans, and focus on achieving results.

2016-18 Plan: Basic policy

Targeting sustained growth in corporate value

► Restructure and revitalize, groupwide

1. Beer businesses

Kirin
Brewery

Lion
(Beer, Spirits
& Wine)

Myanmar
Brewery

► Invest, strengthen and grow profit base

2. Low-profit businesses

Brasil
Kirin

Kirin
Beverage

Lion
(Dairy &
Drinks)

► Restructure, revitalize

3. Pharmaceuticals & Bio-chemicals businesses

Kyowa Hakko Kirin

► Invest to achieve outstanding growth

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4

Our plans aim to restructure and revitalize Kirin groupwide. There are three key areas:

Number one is to invest in, strengthen and grow profits in our beer businesses

Number two is to restructure and revitalize low profit businesses, and

Number three is to invest to realize a major uplift in growth of our Pharmaceutical and Bio-chemicals business

Among our beer businesses Kirin Brewery is the top priority and we will exert maximum effort to achieve a V-shaped recovery. I believe that the challenge is simple and clear. What we must do now, and by that I mean the management team including myself, and all our employees, is to show a sense of ownership and commitment and to decisively execute our plans.

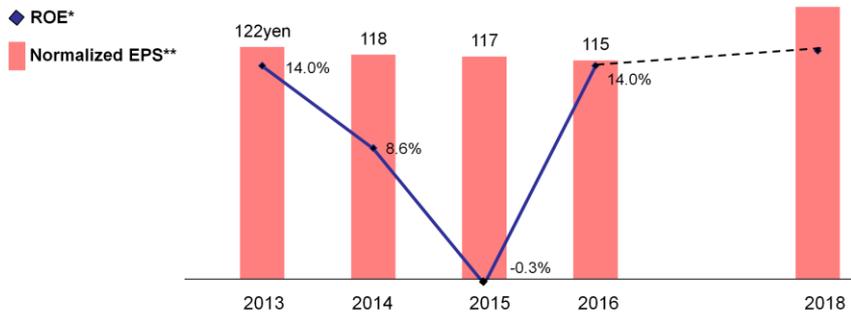
Quantitative targets

- Raising Group profitability is our top priority, targeting growth in ROE and EPS

Quantitative targets

- ROE* **15%+**
► Normalized EPS** **CAGR 6%+**

Guidance: 2018 Group operating income based on achieving above targets: **¥160bn+**
Forex rate assumptions (plan period average): 1AUD = 83.00yen, 1BRL = 30.00yen, 1MMK=0.09yen



* Before amortization of goodwill etc.

**Normalized EPS = adjusted net income / average number of shares outstanding during period.

Adjusted net income = net income + amortization of goodwill etc. +/- extraordinary gains or losses after income taxes etc.

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5

Our 2018 quantitative targets are for pre-goodwill ROE of 15% plus.

And over the plan period we aim to grow normalized EPS by a compound annual average (CAGR) of more than 6%.

In setting these targets we have assumed that 2018 operating income will be more than ¥160 billion.

Raising ROE

▶ Group HQ and each business will center efforts on improving profit generation with a focus on ROE

$$\text{ROE} = \text{Improve profitability} \times \text{Increase asset efficiency} \times \text{Control leverage}$$

2015 → 2018 : -0.1% → **over 5.5%** 0.85 → **approx. 0.91** 3.09 → **approx. 3.0**

Group Initiatives

- ▶ Optimize resource allocation
- ▶ Streamline HQ

- ▶ Prioritize capex allocation

Consider further optimization of business portfolio/ asset sales

- ▶ Enhance financial flexibility

Operating Business Initiatives

- ▶ Increase profits by improving product mix and brand power
- ▶ Cut costs to raise competitive power (overall Group cost cuts of ¥30bn planned)
- ▶ Raise production efficiency

- ▶ Reduce inventories to improve working capital

Consider further asset sales

2018

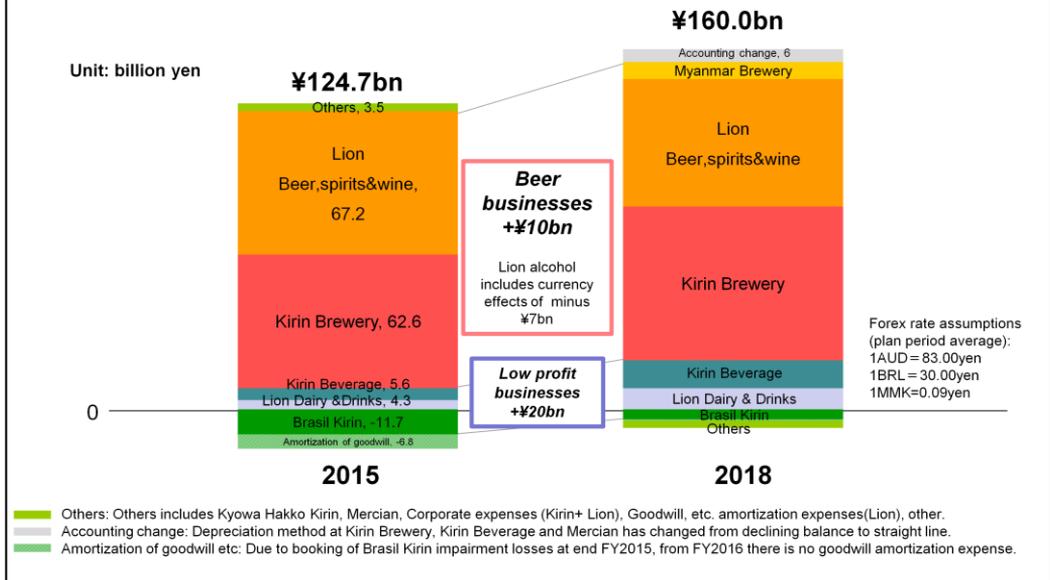
ROE over 15%*

*before goodwill amortization

To achieve our ROE target I believe that the key challenge is to raise profitability right across the group. We will focus our allocation of our resources, and at Group HQ and at each operating business we will launch initiatives that are focused on higher profitability.

Operating income guidance

► 2018 Group operating income: **160 billion yen+**



This chart shows the expected profit structure in 2018 that will result from decisively implementing our three year plan.

Of the ¥35 billion total increase in profits we expect beer businesses to contribute ¥10 billion as we strengthen and grow the profit base, while restructuring and revitalization of low profit businesses is expected to contribute profit growth of a further ¥20 billion.

We are also planning ¥30bn of groupwide cost reductions to raise profitability.

Specific measures to grow profits

1. Beer businesses: Invest, strengthen and grow profit base

2018 OP +¥10bn

Kirin Brewery

▶ Target a V-Shaped recovery, growth in sales and profits

2018 Guidance	Measures to improve profitability
<p>2018 OPM: 17%+* (2015: 15.1%)</p> <p>*Excluding liquor tax, before deduction of management fees</p>	<ul style="list-style-type: none"> • Enhance appeal of the beer category <ul style="list-style-type: none"> - Grow beer category volume by sustained support for <i>Ichiban shibori</i> - Foster and grow craft beer brands • Strengthen functional categories <ul style="list-style-type: none"> - Lead market growth with a diverse lineup leveraging Kirin's technical strengths • Strengthen business base; sustain brand investment <ul style="list-style-type: none"> - Launch high value added RTDs and whiskies - Efficiently utilize advertising and sales promotion expenses - Achieve high productivity right across the supply chain

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8

I will now explain each of our restructuring and revitalization measures.

First we will strengthen and grow the profit base of our beer business.

The Japan beer market is mature and highly competitive. However, we are determined to compete successfully and during the three-year plan period we will maintain brand investment at the same level as 2015. Specifically, we will continue to support and strengthen Ichiban Shibori and by expanding our craft beer offering we aim to grow the appeal to customers of the entire beer category. We will also leverage the Group's technological strengths to drive forward the market for functional health drinks and reinforce our position as the leader in the functional category.

And at the same time we will strengthen our business base including cost reductions.

Over the next three years we aim to grow sales and profits and raise Kirin Brewery's operating margin to 17%, up from 15% in 2015.

Regarding the domestic beer market, we believe that Japan's beer industry as a whole needs to escape from the war of attrition and achieve a market where prices appropriately reflect brand value. Our business plan does not assume any progress in this regard but through a spirit of cooperation among competitors, based on leadership from the top we would like to create a sound and competitive market.

Specific measures to grow profits

1. Beer businesses: Invest, strengthen and grow profit base 2018 OP +¥10bn

Lion (Beer, Spirits & Wine)

► Revitalize and grow the ANZ beer market

2018 Guidance	Measures to improve profitability
<ul style="list-style-type: none"> • Maintain market position • Maintain high OPM (2015 OPM: 27.0%) 	<ul style="list-style-type: none"> • Revitalize the market - Beer the Beautiful Truth campaign to revitalize the market • Strengthen growth categories - Further strengthen our growing craft beer business - Develop growing cider category • Reduce indirect costs - Reduced costs, gained operational efficiencies, other cost reduction initiatives undertaken in FY15 to be realized in FY16

Myanmar Brewery

► Invest to strengthen position as market leader

2018 Guidance	Measures to improve profitability
<ul style="list-style-type: none"> • Maintain market position • Capture share of market growth 	<ul style="list-style-type: none"> • Expand brand portfolio - Explore launch of premium brand in Myanmar • Strengthen business platform - Expand production facilities - Strengthen and expand sales channels

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9

We plan to strengthen our beer business not only in Japan, but also in Australia and Myanmar.

Kirin moved earlier than its peers to develop its beer business overseas, and our acquisition last year of Myanmar Brewery has significantly strengthened our position in Asia and Oceania. Looking ahead we plan to focus mainly on the rapidly growing Southeast Asia market and pursue a strategy that is clearly differentiated from that of the major global players.

Specific measures to grow profits

2. Low-profit Businesses: Restructure & Revitalize

2018 OP +¥20bn

Brasil Kirin

► Achieve profitability through full restructuring

Guidance	Measures to improve profitability
<p>Achieve profit in 2019 (2015: ¥18.5bn loss*)</p> <p>*Operating income before amortization of goodwill etc.</p>	<ul style="list-style-type: none"> • Grow profit domains based on regional product strategy <ul style="list-style-type: none"> -Focus on core Schin brand in North and Northeast -Focus on high value added products in South and Southeast • Shift to cost structure and organization matched to sales volume <ul style="list-style-type: none"> -Cut supply chain costs by improving efficiency of own distribution etc. -Right-size production base, explore asset sales -Optimize employee numbers and cut other indirect costs -Cut low-profit business -Cut SKUs • Consider business alliances and reorganization

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10

Next, our plans to restructure and revitalize low profit businesses, Brasil Kirin and Lion Dairy & Drinks.

Brasil Kirin faces a wide range of issues including the need to strengthen sales operations, foster its brands, and restructure its cost and profit structure. First, we will take an approach that fully recognizes the differing competitive environments in the North and the South of Brazil. In the North and Northeast regions which are Schincariol's original home territory we will focus on and support the Schin brand, which was renewed in Autumn last year.

Regarding the South and Southeast where the Schin brand is relatively weak, we will focus on the booming premium segment and assemble a portfolio and sales organization centered on high value added products: Eisenbahn, Baden-Baden, and Ichiban Shibori.

In addition we will shift to an approach that matches sales channels to sales volumes and wholesale shipment volumes. We plan to take action to reduce indirect costs and we will consider asset optimization.

In summary, by restoring the top-line in the North and Northeast and through growth in premium products in the South and Southeast, while restructuring the business, we plan to approach the break-even point in 2018 and achieve profitability in 2019.

Specific measures to grow profits

2. Low-profit Businesses: Restructure & Revitalize

2018 OP +¥20bn

Kirin Beverage

▶ Achieve profitable growth through structural reform

2018 Guidance	Measures to improve profitability
<p>OPM* above 3% (2015:1.5%)</p> <p><small>*Operating income before deduction of management fee</small></p>	<ul style="list-style-type: none"> • Build robust brand framework <ul style="list-style-type: none"> - Focus on the 3 major categories • Reform profit structure <ul style="list-style-type: none"> - Switch to sales force evaluation based on brand profitability, focus on canned/small PET bottled beverages - Reform supply chain cost structure - Raise labor productivity • Use alliances to solve structural issues

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11

Next, Kirin Beverage. Here we will focus on the two key points: building a robust brand framework and reforming the cost and profit structure.

Regarding structural reform, we will shift from sales force evaluation based on the number of cases sold to focus instead on high-profit product mix. Mix improvement is already in place as our 2016 sales plan.

Additionally, we will work on reforming the cost structure, including procurement costs, distribution costs, and reducing product disposal. We will aim to the improvement of the labor productivity. I believe that execution is key, and we have appointed a new president with a strong track record in both building brands and profit and cost structure reform. Led by the new president, we will decisively execute the business plan and aim to raise the operating profit margin to 3% in 2016, and aim for further growth in profitability after that.

Specific measures to grow profits

2. Low-profit Businesses: Restructure & Revitalize

2018 OP +¥20bn

Lion (Dairy & Drinks)

► Implement revival plan to grow profits

2018 Guidance	Measures to improve profitability
<p>OPM* above 5% (2015: 2.3%)</p> <p>*Operating income before amortization of goodwill etc.</p>	<ul style="list-style-type: none"> • Priority resource allocation to priority categories and brands <ul style="list-style-type: none"> - Focus sales efforts on Milk Based Beverages and other higher profit products • Deliver value based on Health and Nutrition <ul style="list-style-type: none"> - Strengthen brands through The Goodness Project • Reform cost structure of the entire supply chain <ul style="list-style-type: none"> - Supply chain cost reductions in line with Turnaround Plan

Specific measures to grow profits

3. Pharmaceuticals and Bio-chemicals: Invest to achieve outstanding growth

Kyowa Hakko Kirin

► Realize a major uplift in growth as a global specialty pharmaceutical company

2020 Guidance

Invest to achieve outstanding growth

Core operating income* of ¥100bn+
*(Pre-consolidation)

- **Improve global competitiveness**
 - Launch three global products in Europe and the U.S
 - Build a global sales framework and organization

* Operating income + Amortization of goodwill + Profits/Losses of equity accounted affiliates

Three global strategic products expected to be approved by 2020:

Development no.	Indication/Target disease
KW-6002	Parkinson's disease
KRN23	X-linked hypophosphatemia
KW-0761	ATL (Adult T-cell Leukemia-Lymphoma) CTCL (Cutaneous T-Cell Lymphoma)

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13

The third and final area of specific measures is Pharmaceuticals and Bio-chemicals, where we intend to realize a major uplift in growth. Kyowa Hakko Kirin is set to launch three global strategic products in Europe and the U.S. between and its core strategy is to shift its focus from Japan to overseas during this period.

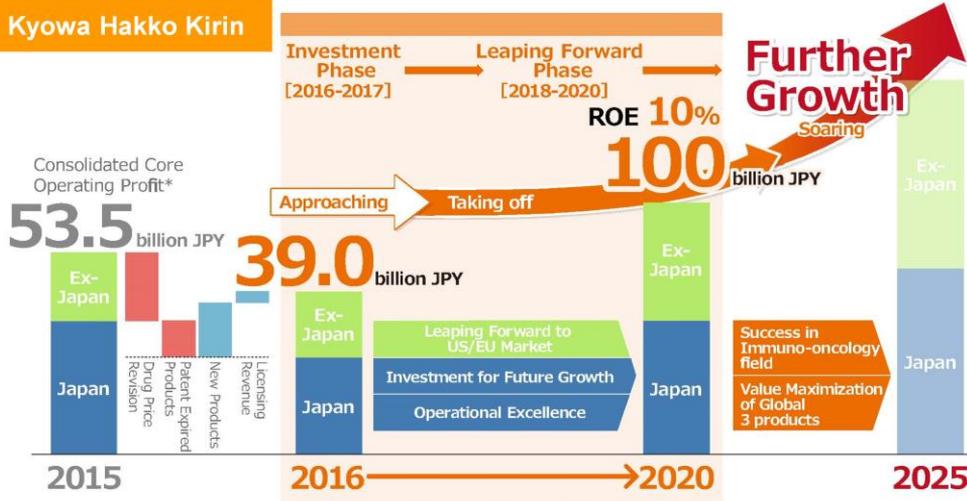
Of the three products to be launched KRN23, the only available treatment for X-linked hypophosphatemia, is expected to be a major new drug that can achieve sales of 60 billion yen in 2020. Regarding KW-0761, aside from applications in leukemia listed here, we also plan to assess its effectiveness as a concomitant drug in immuno-oncology treatments for solid tumors. As such, there would be potential it to become a large scale new drug treatment. With these launches in mind, Kyowa Hakko Kirin is aiming for core operating income of 100 billion yen by 2020.

During the period of this medium-term business plan, within the limits of the cash that is generates, Kyowa Hakko Kirin will strengthen its upfront investment in new drug development and build up its overseas sales framework.

Specific measures to grow profits

3. Pharmaceuticals and Bio-chemicals: Invest to achieve outstanding growth

Kyowa Hakko Kirin

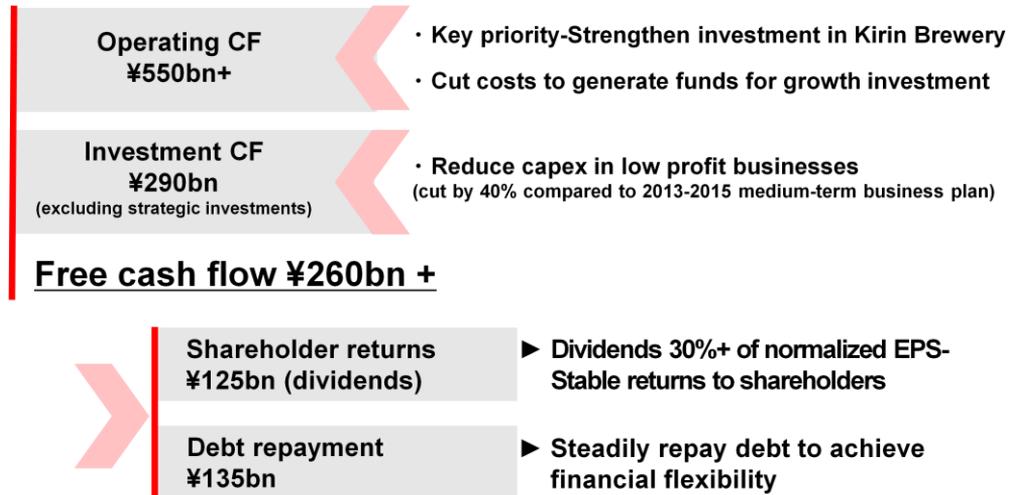


*Operating Profit + Amortization of goodwill + Share of profit/loss of entities accounted for using equity method (Accounting standards will be changed to IFRS from 2017)

Source: Kyowa Hakko Kirin 2016-2020 Medium-term Business Plan released on January 29, 2016.

Financial strategy

- ▶ Focused resource allocation based on clear investment priorities
- ▶ Raise cash flow generation by enhancing business profitability
- ▶ Stable shareholder returns, enhanced financial flexibility



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15

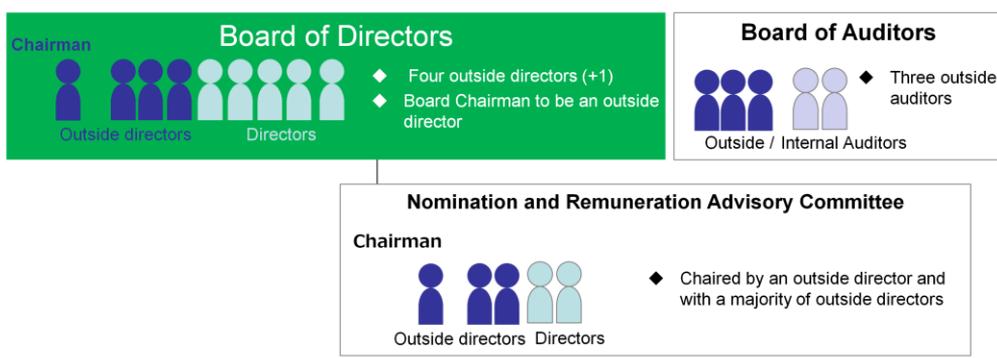
Next I'll speak about cash flow allocation. Our investment plans are clear and specific. We will make forward-looking investments in our beer business and we will reduce capex in low profit businesses by 40%. We will return roughly half of free cash flow to shareholders, and the other half will be used to repay interest-bearing debt.

We aim to provide substantial shareholder returns based on stable dividends with a payout ratio of over 30% of normalized EPS, in line with EPS growth.

Regarding strategic investments, should high quality investment opportunities arise that contribute to increasing our corporate value, we will allocate funds through borrowing or other methods such as the sale of assets. When presented with high quality opportunities, we do not think there should be hesitation about whether to raise additional debt. However, based on reflection in light of losses at Brasil Kirin, in considering M&A we will apply even stricter criteria than we have hitherto used. Specifically, our policy will be to not consider M&A purely for the sake of expanding the size of our business. We will include the prerequisites that targets must have a strong business foundation and a high market share- not relying solely on prospects for market growth.

Enhanced Corporate Governance

- ▶ Strengthen Board of Directors' oversight functions
- ▶ Enhanced management transparency and fairness



▶ Strengthen incentives to achieve plan targets

Directors' bonuses to be linked to indicators based on 2016-2018 medium-term plan numerical targets (ROE/EPS), guidance (operating income), and share price

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16

Kirin Group announced our corporate governance policy on 15th February. It goes without saying that in order to realize long-term and sustained growth, it is essential that companies strengthen corporate governance. With the start of our new medium-term plan, we have made three major revisions of our governance approach.

First, we have added one additional outside director, and changed to a system where the Board Chairman is an outside director.

Second, we have unified the Nomination and Remuneration Advisory Committee and changed the structure so that the committee is chaired by an outside director and has a majority of outside directors.

Finally, we have instituted a new system where directors' bonuses are more closely linked with the achievement of medium-term plan numerical targets and share price performance is also reflected in directors' bonuses..

We will aim to increase the corporate value of the group by further enhancing corporate governance through these changes, and through constructive discussion with all shareholders and investors

Summary

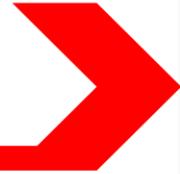
- ▶ Invest to strengthen core beer businesses and realize outstanding growth in Pharmaceuticals & Bio-chemicals
- ▶ Restructure and revitalize low profit businesses
- ▶ Full commitment to achieve targets for ROE and EPS growth and raise corporate value
- ▶ Strengthen corporate governance
- ▶ Generate value from Kirin's core strengths and realize sustained grow with our stakeholders

Before formulating this medium-term plan, we also reviewed our KV2021 long-term vision. To realize long-term and sustained growth we will concentrate the group's technological strengths, work to resolve social issues and provide value to customers, and aim to achieve sustained growth.

In closing, I'd like to summarize our plans. In the three years of the 2016 medium-term plan we will strengthen our core beer business, restructure and revitalize low profit businesses and invest in our Pharmaceuticals and Bio-chemicals business to achieve a major uplift in growth. Over the next three years we will also focus on fully executing our plans in each year of the plan. As a result, we aim to increase our share price and market value. We all have a lot to look forward to at Kirin Group.

Thank you very much.

Appendix



New KV2021: Overview of new long-term vision

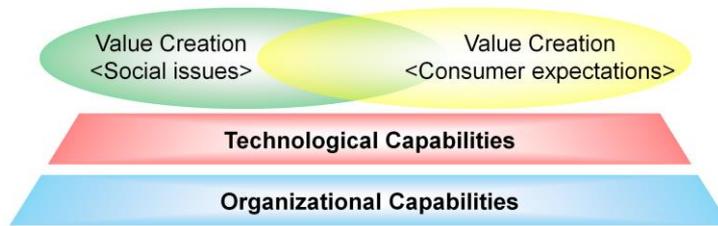
► Clear and specific vision has been developed ahead of the 2016-18 Plan

Corporate philosophy ► The Kirin Group – Focused on people, nature and craftsmanship to redefine the joy of food and wellbeing

2021 Vision ► Co-achieve sustainable growth with our societies by realizing value creation, addressing social issues and understanding consumer expectations via the core businesses* of the Kirin group
* alcoholic beverages, non-alcoholic beverages, pharmaceuticals and bio-chemicals

Outcomes Creation of Economic Value and Social Value

Strategic framework
(=Kirin Group's unique CSV)



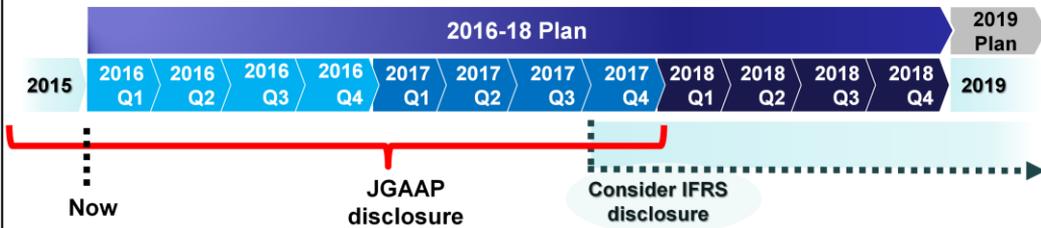
“One Kirin” Values

“Passion and Integrity”

IFRS: Voluntary introduction and effects

► Considering the voluntary introduction of IFRS from end FY2017

■ Schedule



■ Current expectations of effects on results of IFRS disclosure

- Net income + approx ¥40bn due to non-amortization of goodwill and brands etc.



- ✓ If effects on pre-goodwill amortization ROE and normalized EPS arise will consider revising quantitative targets

■ Dividends

- ✓ Regardless of any revisions to quantitative targets dividends will be paid based on 30% + of normalized JGAAP EPS

Review of 2013-15 Business Plan

► Our plans were for the Overseas business to be the driver of the Group's growth while growth in the Japan Integrated Beverage business was restored but subsequent deterioration in the business environment could not be fully offset and quantitative targets were not achieved

	2013-15 MTBP Quantitative targets	2013-15 CAGR	Results	2015 actual	2012 actual
Normalized EBITDA	Mid-single digit CAGR(%)	Annual average (5.6)%	×	¥258.9bn	¥307.3bn
Normalized EPS	Upper-single digit CAGR(%)	Annual average 0.0%	×	¥117	¥117

(Sales and Operating income guidance)

	2015 guidance*	2015 actual	2012 actual
Consolidated sales	¥2,300bn	¥2,196.9bn	¥2,186.1bn
Consolidated operating income	¥180bn	¥124.7bn	¥153.0bn

* Guidance announced in October 2012. Consolidated operating income guidance was revised down in February 2014 to ¥170bn

Cash flow forecasts	2013 -15 MTBP forecast	2013-2015 actual
Operating Cash flow	¥700bn +	¥531.7bn
Investment cash flow*	Approx. ¥300bn (excluding strategic growth investments)	(¥124.5)bn
Free cash flow	¥400bn +	¥407.2bn

*Including cash inflow (¥137bn) from sale of Fraser & Neave shares

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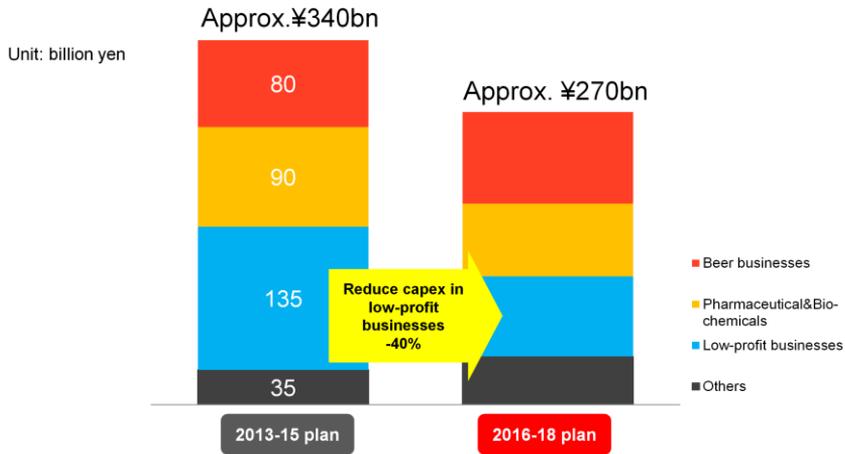
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21

Financial Strategy - Capex

► Strict capex allocation matched to expected returns

Capex plans:
Overall reduction, focus on top priority businesses



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