

KIRIN



KIRIN REPORT 2015

ACCELERATING

VALUE-DRIVEN GROWTH

Kirin Holdings Company, Limited

LEAD STORY

OUR VALUE, YOUR HAPPINESS

The Kirin Group makes a wide-ranging contribution to people and society by creating and providing new value in the fields of “food and well-being.”
—We deliver value that is not available from any other company.



The Kirin Group conducts global activities in its core businesses of alcoholic beverages, non-alcoholic beverages, and pharmaceuticals and bio-chemicals, which engages in operations centered on biopharmaceuticals.

The Kirin Group strives to meet a broad array of consumer needs, such as needs for beverages that are healthy yet delicious; familiar brands that are full of the appeal of local regions; casual, low-alcoholic beverages that everyone can enjoy; and pharmaceuticals for diseases that lack effective treatments. In addressing these needs, the Kirin Group is making a wide-ranging contribution to society by proposing new value related to “food and well-being.”

We are implementing the Kirin Group's unique CSV, which combines the creation of both social value and economic value.

Kirin Group: Examples of Value Creation and Business Domains

New flavor due to the Ichiban Shibori production method



Kirin Ichiban Shibori

Flagship beer made with a first-press wort brewing process

Convenience + Tea culture



Kirin Gogo-no-Kocha

Overwhelming leader among tea beverages

Creation of a new beer culture



James Squire

Leading the market for Australian craft beers


Flavor + Function



Tanrei Green Label

Leading brand in the functional products category

Drinkability + Style



Kirin Hyoketsu®

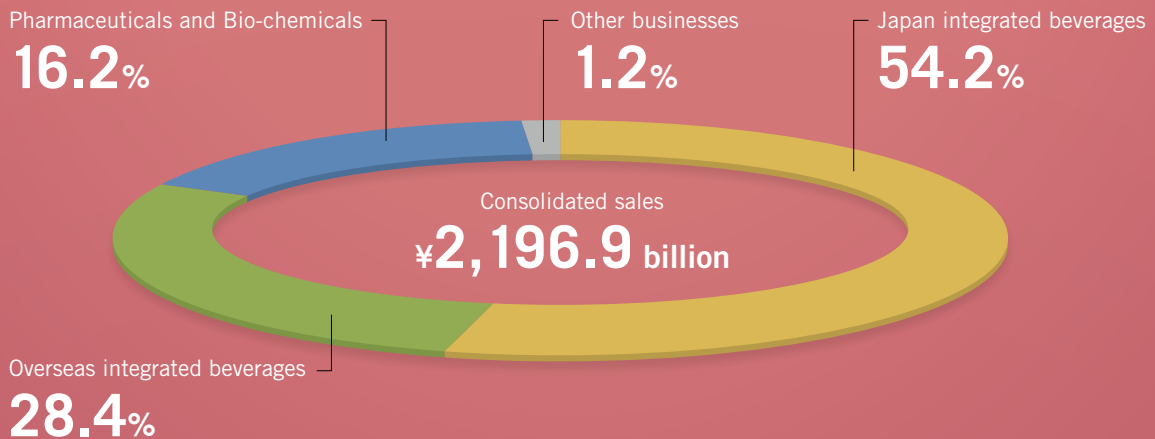
Expanding and leading growth in the RTD market

High treatment efficacy for difficult-to-treat diseases



KW-0761 (POTELIGEO®)

Pharmaceutical highly anticipated around the world in the field of cancer immunotherapy



DIFFERENTIATION FIRST

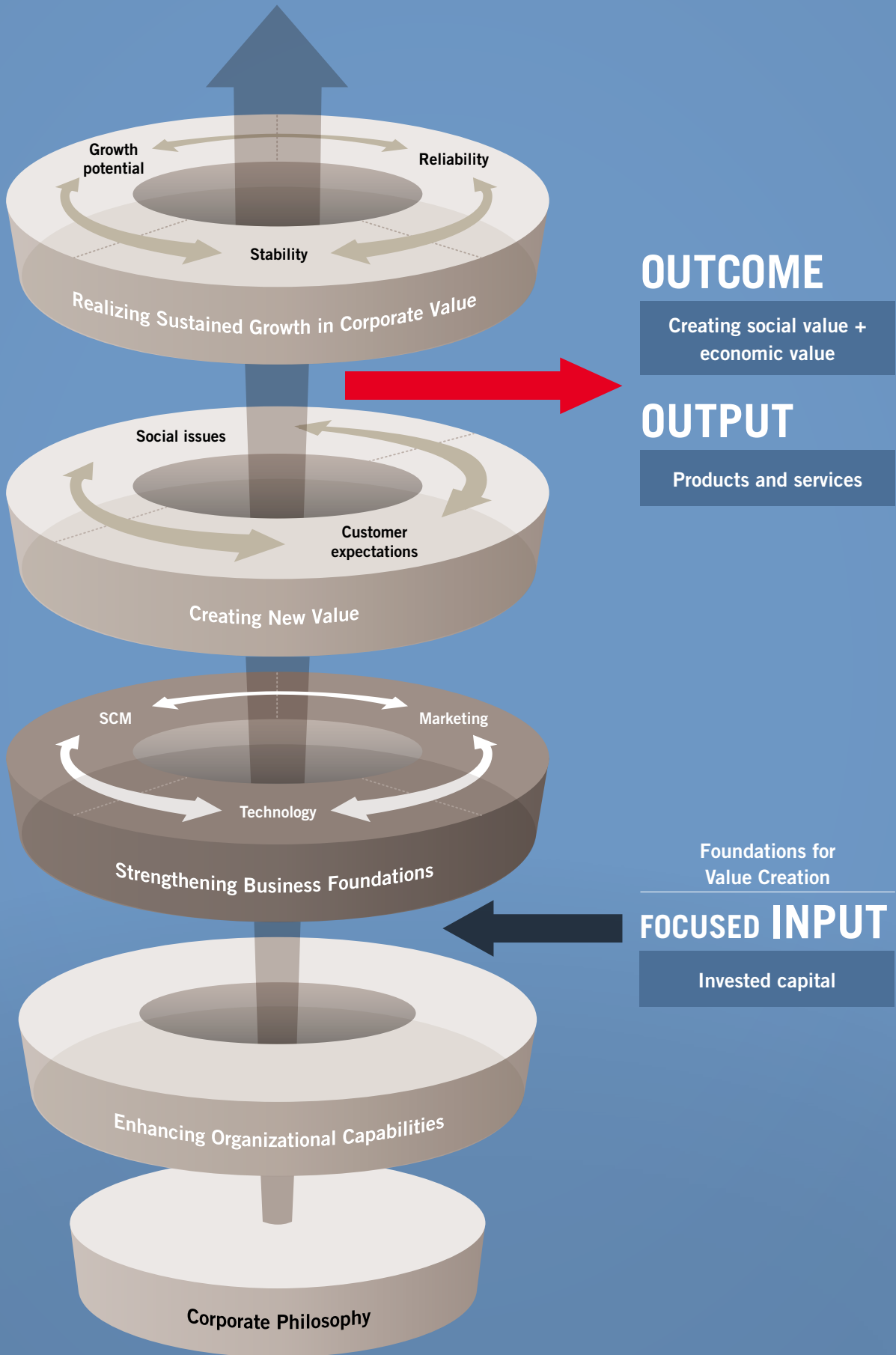
Kirin's highly differentiated business platform supports the creation of added value and leads to sustained growth in corporate value.

—This is what the Kirin Group believes.



To cultivate a deep understanding of our customers and to provide the value they want through our products and services, we must continually strengthen our business platform. Accordingly, the Japan Integrated Beverages Business is building a brand portfolio that remains centered on the customer while extending beyond the boundaries of the alcoholic and non-alcoholic beverages businesses. To heighten the customer brand experience, we are taking steps to enhance marketing capabilities throughout the Group. In addition, over many years the Group has cultivated advanced fermentation technologies. These technologies, which are continually enhanced through ongoing technical innovation, are the foundation not only for the provision of safe, secure, and delicious products but also for the advanced biotechnologies of Kyowa Hakko Kirin. Moving forward, Kirin will be able to create new value that meets the expectations of society and customers by improving and integrating the technologies of Group companies.

Our creation of value, which is supported by the ability to understand customers and technical expertise, is realized through efficient supply chain management (SCM). The Kirin Group believes this competitive edge in “invisible assets” will be the cornerstone of sustained growth.



FROM VOLUME TO VALUE

Targeting the realization of sustained growth, we will shift from a focus on volume to a focus on value.

—The Kirin Group sincerely faces its management challenges.



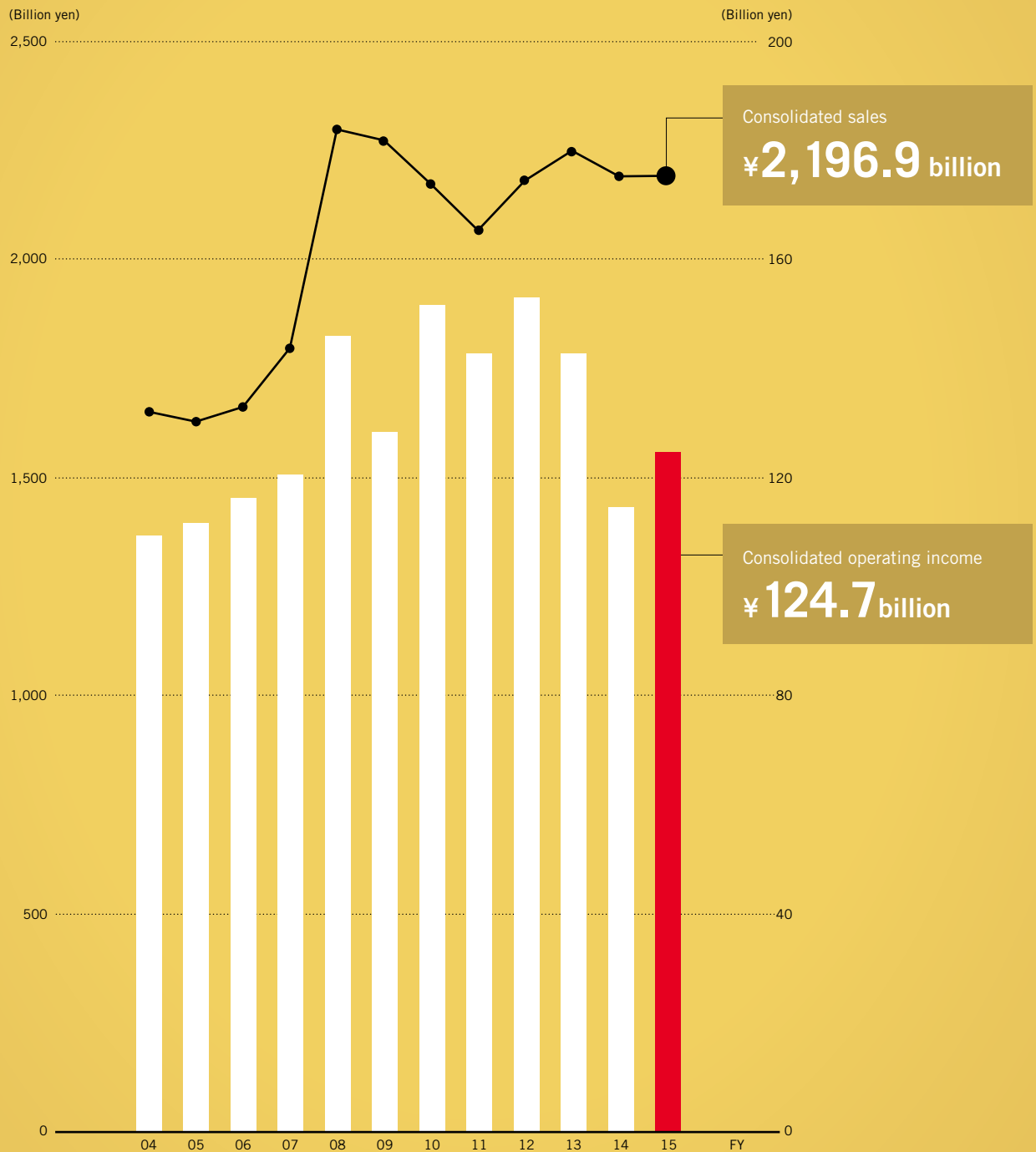
For more than 10 years, the Kirin Group's consolidated sales have recorded growth due largely to the acceleration of overseas business development through aggressive M&A activities. However, the rate of increase in our profits has not kept pace with the growth in our sales.

The reason is that, as we expanded our overseas operations, we began to neglect our traditional strength—the creation of new value for consumers. Moving forward, in fields where society requires further value creation, the Kirin Group must leverage the superiority of its technologies and other business platforms to achieve concurrent gains in three areas—growth potential, stability, and reliability.

—That is what we must do to enhance corporate value.

Consolidated Sales and Operating Income

— Consolidated sales (left) ■ Consolidated operating income (right)



VALUE-DRIVEN PRIORITIZATION

Our growth will be driven by initiatives to address social issues related to well-being and other fields. On that basis, we will focus the allocation of our management resources on businesses in which we can leverage our strengths.

—The Kirin Group has stepped up its implementation of more efficient management resource allocation.

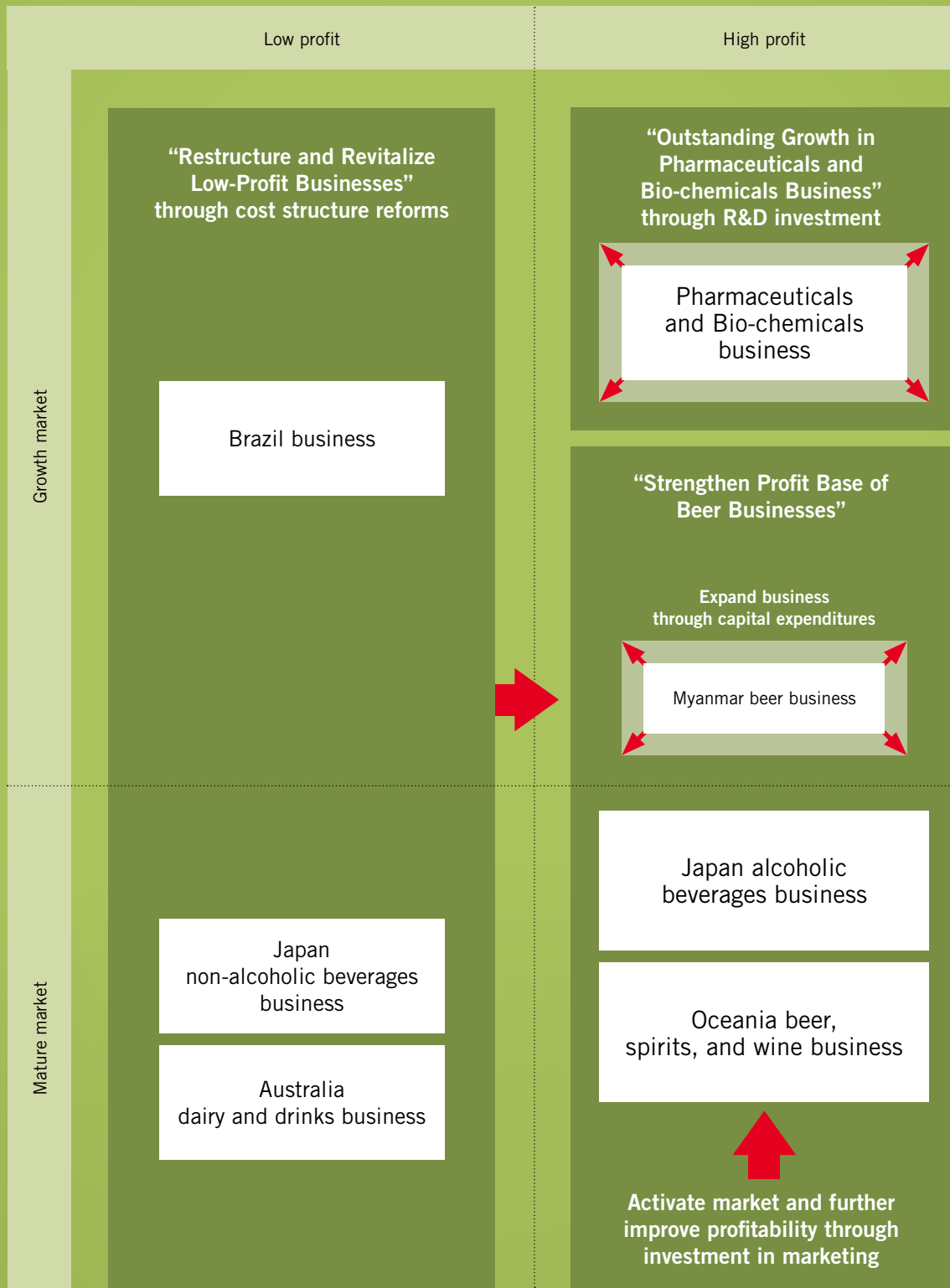


Under our new long-term management vision, the New Kirin Group Vision 2021 (New KV2021),* we will strive to further raise our profitability and efficiency by dramatically increasing the focused allocation of our limited management resources to fields in which we can establish a substantial presence. 2016 MTBP will be the first step toward this goal. Among our core businesses, our highest priority will be to strengthen the profit foundation in the beer businesses, with a special focus on Japanese beer operations. We will also execute restructuring to revitalize low-profit businesses and take steps to achieve outstanding growth in the Pharmaceuticals and Bio-chemicals Business. In these ways, we will do our utmost to achieve sustained growth.

In addition, under New KV2021, we are working to address social issues related to well-being and other fields. We have made clear that our growth will be driven by the creation of value from the consumers' perspective. To that end, the Kirin Group will continually strengthen its business foundation and work to generate Group synergies.

* Based on the KV2021 long-term management vision, New KV2021 is our long-term management vision newly developed in 2016 with the purpose of redefining our 2021 Vision and strategic frameworks.

Positioning of Each Business for Structural Reforms or Aggressive Investment



Our Philosophy

THE KIRIN GROUP— FOCUSED ON PEOPLE, NATURE AND CRAFTSMANSHIP TO REDEFINE THE JOY OF FOOD AND WELL-BEING

We pride ourselves on offering products based on what people want.

We pride ourselves on our ability to harness the goodness of nature through innovative technology.

We pride ourselves on delivering tangible satisfaction and quality in everything we make.

All of which ensures that we exceed customers' expectations. And naturally, we do not stop there.

As we look forward with vision and dreams, we aim to continue offering food and health products that bring new joy to people's lives everywhere.

Always a step ahead, the Kirin Group supports health, pleasure and comfort in your life.

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Values Shared throughout
the Kirin Group

“One Kirin” Values

“Passion and Integrity”



About this Report

KIRIN REPORT 2015 has been prepared in accordance with a basic policy of providing easy-to-understand explanations of financial information as well as non-financial information related to the Kirin Group's “invisible assets,” or value creation foundation. In this way, the report is intended to help investors and other stakeholders to understand the Kirin Group's path to enhanced corporate value over the medium to long term and the appropriateness of the Group's strategies. The report emphasizes the “connectivity” between financial and non-financial elements as well as between the value creation foundation and sustained growth of the Kirin Group.

Precautionary Note regarding Forward-Looking Statements

In this report, statements that are not historical facts are forward-looking statements based on future prospects and plans. These forward-looking statements include such factors as risk and uncertainty, and as a result actual results and performance could differ from these statements. In addition, the forecasts for the fiscal year ending December 2016 are as of the announcement made on February 15, 2016.

Launch of 2016-2018 Medium-Term Business Plan

We will leverage the Kirin Group's unique CSV and accelerate the enhancement of corporate value.

As a result of such factors as aging populations and declining birthrates, the size of the economic pie in industrially developed countries is not increasing, while economic growth in Brazil and other emerging countries has been slowing. Under such circumstances, competition among companies is intensifying.

In this type of economic environment, manufacturers cannot enhance their corporate value simply by pursuing short-term volume growth in vain. Rather, they need to shift to growth based on the creation of value that is perceived by customers to have high value for society.

In accordance with this approach, the Kirin Group will advance the New KV2021 long-term management vision. The first step toward the realization of New KV2021 is the 2016-2018 Medium-Term Business Plan (2016 MTBP), which we have recently launched. The main points of 2016 MTBP are as follows. In beer businesses, we will invest and strengthen and grow the profit base. In low-profit businesses, such as Brasil Kirin and Kirin Beverage, we will restructure and revitalize them. And in the Pharmaceuticals and Biochemicals Business, we will invest to achieve outstanding growth. In addition, by leveraging the strengths of the Kirin Group's technology platforms, we will accelerate the shift in our competitive axis from volume to value.

We achieved a significant improvement in results in fiscal 2015. Highlights of our improved performance included a return to growth in

market share in the Japanese beer market, which had been declining, due to focused investment in core brands; a step-up in share in the functional products category, which continues to expand in the Japanese beer market; and a substantial gain in profits in the Pharmaceuticals and Biochemicals Business, due in part to the sales growth of new drugs. In addition, we began to implement rigorous restructuring measures at Brasil Kirin. To address the continued decline in Brasil Kirin's performance, we recorded an impairment loss, resulting in a net loss. Nonetheless, we are seeing firm results from initiatives to record growth based on value creation and from finely tuned allocation of management resources.

Moving forward, Kirin Group companies will draw on their technological capabilities to accelerate value creation and will leverage their speed and execution capabilities to further differentiate their operations from those of other companies. On a solid foundation of technological and organizational capabilities, we will work to create both social value and economic value. I believe that in this way we can achieve sustained growth and the enhancement of corporate value over the medium to long term.

I hope that this KIRIN REPORT will help our stakeholders to better understand how our strategies are appropriate for the Kirin Group, which has entered a new growth stage, and I would like to ask for the continued support and understanding of our stakeholders.



YOSHINORI ISOZAKI
President & CEO

KEY POINTS ABOUT KIRIN

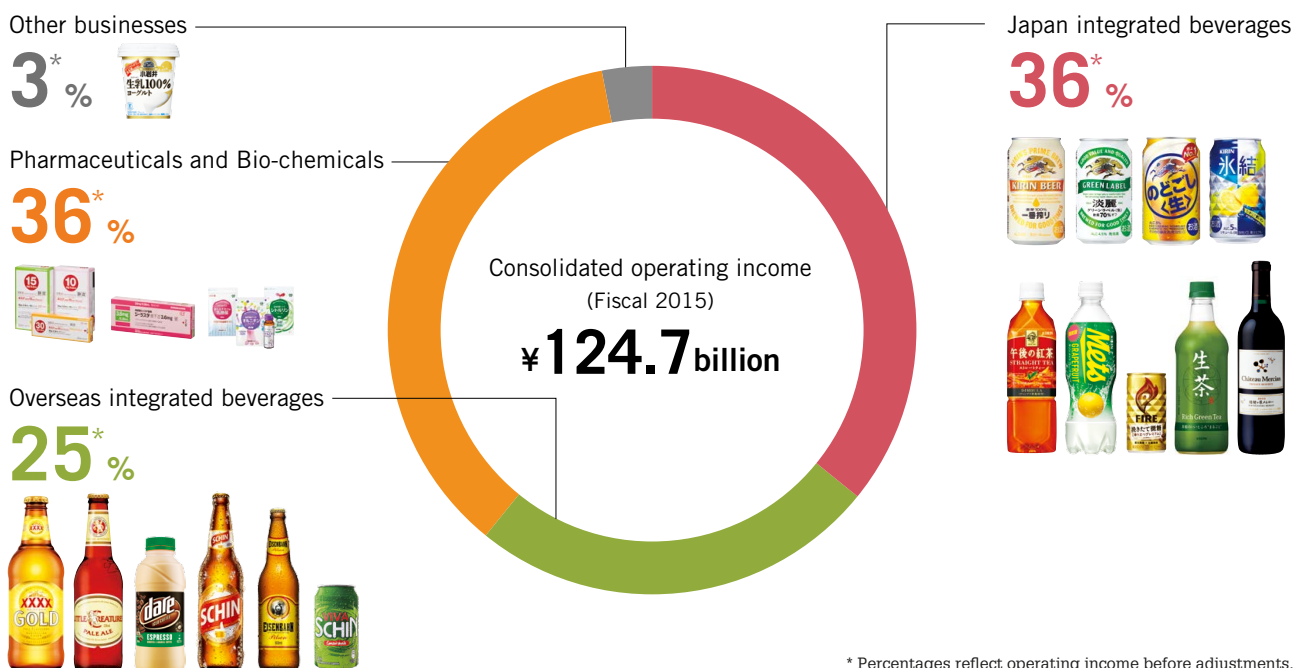
Business Structure

The Kirin Group is centered on Kirin Holdings, a pure holding company. In markets around the world, the Group conducts business in the domains of “food and well-being.” The Kirin Group has two business segments—the Integrated Beverages Business, which provides alcoholic beverages and non-alcoholic beverages, and the Pharmaceuticals and Bio-chemicals Business. The Integrated Beverages Business provides comparatively high stability, while the Pharmaceuticals and Bio-chemicals Business offers strong growth potential. With these two business segments, Kirin has established a well-balanced business portfolio that can effectively support sustained growth for the Group as a whole. Moving forward, the Group’s growth driver will be the realization of social value creation through initiatives that address well-being and other social issues in these business fields. On that basis, the Kirin Group will strive to achieve sustained growth.

Earnings Structure

The composition of the Kirin Group’s consolidated operating income by business segment is extremely well balanced. On the foundation provided by this earnings structure, the Group has determined the strategic direction for each operating company from the viewpoints of market growth potential and earnings potential. The alcoholic beverages businesses of Kirin Brewery and Lion, which have large operational scales and high profitability, support the earnings of the Kirin Group. Accordingly, in these businesses the Group will implement marketing investment to reinforce their earnings foundations. Kyowa Hakko Kirin, the operating company of the pharmaceuticals and bio-chemicals business, contributes 36% of consolidated operating income. In these businesses, Kyowa Hakko Kirin will implement aggressive investment in R&D to make a “leap” over the medium to long term. On the other hand, for Brasil Kirin, Kirin Beverage, and Lion dairy and drinks business, which have low profitability, the Group will limit capital expenditures and give priority to increasing profitability through the acceleration of structural reforms. Kirin Holdings will work together with the operating companies to implement strategies. In addition, by fostering a finely tuned allocation of management resources, Kirin Holdings will enhance the Group’s earnings capacity, leading to sustainable growth.

Contribution to Consolidated Operating Income by Business Segment



Operational Scale and Profitability by Major Business



Kirin's History of Progress

The history of the Kirin Group dates back to 1907, when the Kirin Brewery Company was founded and took over the business of the Japan Brewery Co., Ltd., which had been established in Yamate, Yokohama. Since that time, the Group has made sustained progress with a focus on offering products with higher added value, implementing business diversification and globalization, and enhancing management.

Moving forward, the Group will continue to value the pursuit of innovation, a customer orientation, and a focus on quality, which have been a part of the Group's corporate DNA since its founding. Kirin's resilience enables the Group to respond to evolving markets and customer needs and is a key strength in Kirin's endeavors to increase corporate value.

Adding Higher Value to Products

1888

Launch of *Kirin Beer*

To ensure a full-fledged German-style beer, ingredients and equipment were imported from Germany and a German technician was hired. This product was launched by Japan Brewery, the forerunner to Kirin Brewery Company.



2001

Launch of *Kirin Hyoketsu*[®]

Kirin Hyoketsu[®], which was developed as Kirin Brewery's first product under its comprehensive alcoholic beverage strategy, established a strong position as a major brand in the canned *chu-hi* market.



1928

Launch of *Kirin Lemon*

Kirin Lemon, a non-alcoholic beverage, does not use any artificial coloring agents in consideration for the safety and security of customers.



2002

Launch of *Tanrei Green Label*

This *happo-shu* (low-malt beer), which realizes a 70% reduction in carbohydrate, offers refreshment for the body and mind. *Tanrei Green Label* established the health-related category.



1986

Launch of *Kirin Gogo-no-Kocha*

This was Japan's first black tea beverage in a PET bottle. *Kirin Gogo-no-Kocha* created a new consumption scenario, enabling black tea to be casually enjoyed anywhere, and it instantly dominated the market.



2005

Launch of *Kirin Nodogoshi Nama*

This product marked the Group's entry to the new genre category.



2009

Launch of *Kirin FREE*

Kirin FREE, the world's first 0.00%, completely alcohol-free beer-flavored beverage, was created from a desire to eliminate drunk driving.



1990

Launch of *Kirin Ichiban Shibori*

Aiming for a true, genuine beer that could only be made by Kirin, the Company developed this beer only using the first strain of malt liquid.



2012

Launch of *Kirin Mets COLA*

Kirin Mets COLA was the first cola beverage approved as a food for specified health uses. It includes indigestible dextrin, which suppresses the absorption of fat from meals.



Business Diversification and Globalization

- 1907** | **Establishment of Kirin Brewery Company**
Kirin Brewery Company, which took over the business of the Japan Brewery Co., Ltd., was founded by parties related to the Iwasaki family, Mitsubishi, and MEIDI-YA.
- 1963** | **Establishment of Vending Machine Services Co., Ltd. (currently, Kirin Beverage)**
This marked the Group's entry into the vending machine business.
- 
- 1970s** | **The first phase of diversification**
In addition to nurturing and strengthening the non-alcoholic beverage and spirits businesses, the Group also advanced into the food business. Koiwai Dairy Products Company, Limited, which was established in 1976, commenced nationwide sales of cheese, butter, and other dairy products.
- 1980s** | **The second phase of diversification**
The Group included the promotion of diversification in the "Long-Range Management Plan." Business development moved ahead in five areas other than beer—non-alcoholic beverages, food, life sciences, services, and overseas business.
- 
- The launch of *ESPO*®, a treatment agent for renal anemia, marked the full-scale entry into the pharmaceuticals business.
- 1998** | **Capital participation in Lion Nathan Limited (currently, Lion)**
The Group implemented a capital participation in Lion Nathan Limited, a beer company operating in the Oceania market. Active business development initiatives also got under way in China.
- 2008** | **Establishment of Kyowa Hakko Kirin**
Kyowa Hakko Kirin was created through the merger of Kyowa Hakko Co., Ltd., in which Kirin had implemented a capital participation, and Kirin Pharma Company, Limited. Kyowa Hakko Kirin aims to be a global specialty pharmaceutical company.
- 2011** | **Schincariol Participações e Representações S.A. (currently, Brasil Kirin) was made a 100% subsidiary**
- 2015** | **Myanmar Brewery was acquired**

Transformation of Management System

- 2003** | **Streamlined the Board of Directors
Established Advisory Board
Established Appointment Advisory Committee and Compensation Advisory Committee**
- 2006** | **Announced KV2015*¹**
The aim was to expand business scale and regions through M&A transactions.
- Established Group Executive Committee
Established Group Information Disclosure Committee
Increased number of external officers**
- 2007** | **Transitioned to pure holding company structure**
- 2012** | **Announced KV2021*²**
The aim was to realize autonomous management through regional headquarters.
- 2013** | **Established Kirin Company, Limited**
- 2015** | **Kirin Holdings / Kirin Company
Introduced executive officer system**
- 2016** | **Announced "New KV2021"
Announced corporate governance policy
Unified two advisory committees to form the Nomination and Remuneration Advisory Committee
Appointed an outside director as Chairman of the Board**

*1. Long-Term Business Plan "Kirin Group Vision 2015"

*2. Long-Term Business Plan "Kirin Group Vision 2021"

Financial and Non-Financial Highlights

(Years ended December 31)

Fiscal Year	2005	2006	2007	2008	2009
Sales	¥1,632,249	¥1,665,946	¥1,801,164	¥2,303,569	¥2,278,473
Less: Japanese liquor taxes	397,527	402,321	400,555	380,691	359,743
Net sales	1,234,721	1,263,625	1,400,608	1,922,877	1,918,730
Japan Integrated Beverages Business	—	—	—	—	—
Overseas Integrated Beverages Business	—	—	—	—	—
Pharmaceuticals and Bio-chemicals Business	—	—	—	—	—
Other businesses	—	—	—	—	—
Operating income	111,708	116,358	120,608	145,977	128,435
Operating income (before amortization of goodwill, etc.)	—	—	—	—	157,769
EBITDA* ¹	188,459	191,161	213,129	264,620	212,838
Normalized EBITDA* ²	—	—	—	—	—
Ordinary income	114,881	120,865	123,389	103,065	144,614
Net income (loss)	51,263	53,512	66,713	80,182	49,172
Normalized net income* ³	—	—	—	—	—
Cash flows from operating activities	104,716	123,685	114,585	131,281	189,907
Cash flows from investing activities	(66,693)	(153,239)	(269,621)	(169,330)	(321,654)
Cash flows from financing activities	(52,041)	(50,012)	121,555	26,684	174,208

Fiscal year-end	2005	2006	2007	2008	2009
Total assets	¥1,937,866	¥1,963,586	¥2,469,667	¥2,619,623	¥2,861,194
Interest-bearing debt	309,976	302,762	673,872	723,703	963,209
Shareholders' equity* ⁴	972,601	993,989	1,054,811	927,812	981,322

Per share data	2005	2006	2007	2008	2009
Net income (loss) per share (EPS) (Yen)	¥ 53.23	¥ 55.98	¥ 69.86	¥ 84.01	¥ 51.54
Normalized EPS (Yen)* ⁵	—	—	—	—	—
EPS (before amortization of goodwill, etc.) (Yen)	61.21	66.18	79.72	34.72	81.92
Dividends per share (Yen)	14.50	17.00	21.00	23.00	23.00

Financial indicators	2005	2006	2007	2008	2009
ROE (%)* ⁶	5.6	5.4	6.5	8.1	8.3
Operating income (before amortization of goodwill, etc.) / Net sales (%)	—	—	—	—	—
Net debt / Normalized EBITDA (Times)	—	—	—	—	—
Dividend payout ratio (%)* ⁷	27.2	30.4	30.1	27.4	44.6

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 – Minority interests – Subscription rights to shares (as recorded on the balance sheet)

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

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

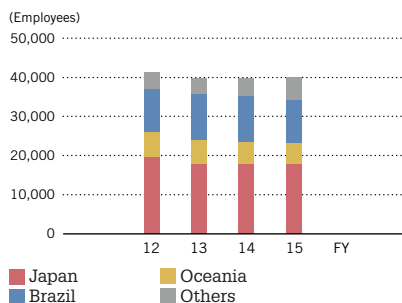
For fiscal 2009 and thereafter: ROE calculated before amortization of goodwill, etc., and these figures exclude losses with no effect on cash outflow

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

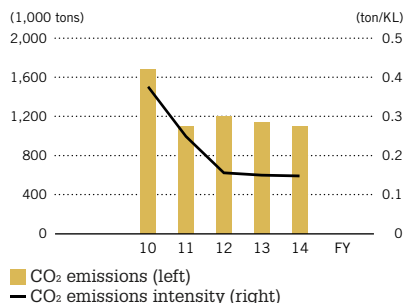
For fiscal 2012 and thereafter: Figures for dividend payout ratio use normalized EPS

Millions of Yen						Change (%)
2010	2011	2012	2013	2014	2015	2015 / 2014
¥2,177,802	¥2,071,774	¥2,186,177	¥2,254,585	¥2,195,795	¥2,196,925	0.1
342,527	323,375	315,549	310,798	301,365	305,697	1.4
1,835,274	1,748,398	1,870,627	1,943,786	1,894,429	1,891,227	(0.2)
934,765	859,672	871,842	869,377	851,591	885,856	4.0
403,977	454,216	579,391	685,254	693,175	624,169	(10.0)
404,714	332,843	322,976	331,377	325,149	355,777	9.4
91,818	101,665	96,417	57,778	24,513	25,424	3.7
151,612	142,864	153,022	142,818	114,549	124,751	8.9
193,600	189,812	202,675	198,086	171,542	158,537	(7.6)
269,392	247,602	297,185	—	—	—	—
—	—	307,339	301,486	273,183	258,922	(5.2)
140,969	136,818	138,452	132,134	94,211	128,199	36.1
11,394	7,407	56,198	85,656	32,392	(47,329)	—
—	—	112,868	115,426	108,779	107,063	(1.6)
218,025	196,792	212,061	205,517	155,247	171,011	10.2
(140,917)	(361,658)	(48,379)	85,526	(139,397)	(70,659)	—
(140,197)	193,214	(160,008)	(272,357)	(80,701)	(78,221)	—
¥2,649,197	¥2,854,254	¥2,951,061	¥2,896,456	¥2,965,868	¥2,443,773	(17.6)
859,376	1,144,786	1,037,188	858,911	873,003	821,478	(5.9)
962,476	852,922	948,943	1,075,861	1,101,833	663,842	(39.8)
¥ 11.95	¥ 7.70	¥ 58.44	¥ 90.76	¥ 35.27	¥ (51.87)	—
—	—	117	122	118	117	(0.8)
94.31	70.58	124.87	159.92	108.57	(2.83)	—
25.00	27.00	29.00	36.00	38.00	38.00	0.0
8.8	6.9	12.4	14.0	8.6	(0.3)	
10.5	10.9	10.8	10.2	9.1	8.4	
—	—	2.86	2.25	2.76	2.67	
26.5	38.3	24.8	29.5	32.2	32.5	

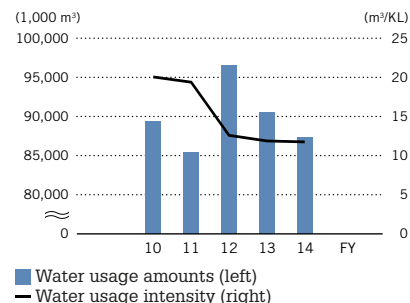
Number of Regional Employees (Consolidated)



CO₂ Emissions / Intensity



Water Usage Amounts / Water Usage Intensity



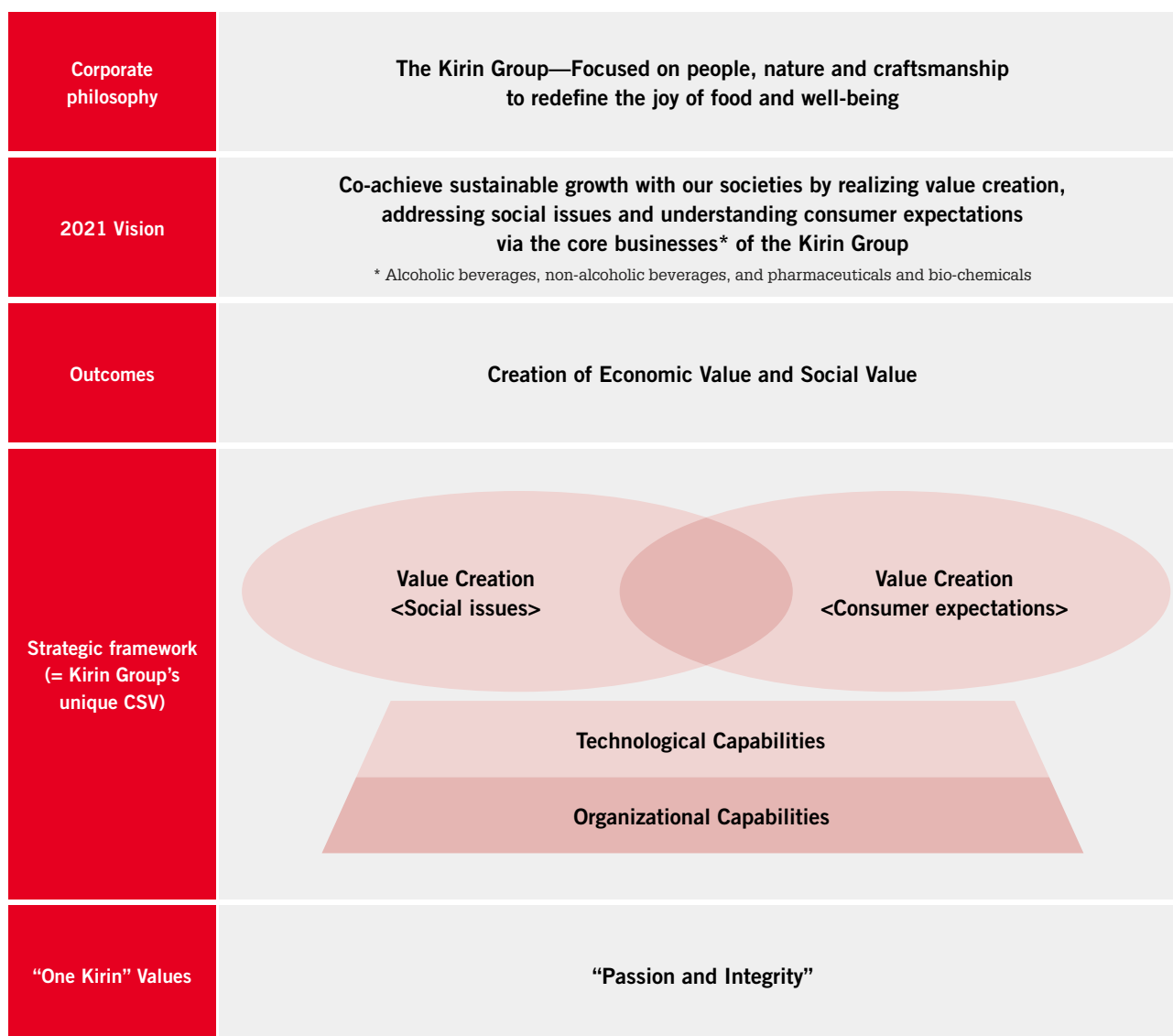
Long-Term Management Vision and Medium-Term Business Plan

The Kirin Group has formulated the Kirin Group 2016-2018 Medium-Term Business Plan (2016 MTBP), a plan that aims to restructure and revitalize Kirin, groupwide. Preceding the formulation of 2016 MTBP, the Kirin Group adopted the New Kirin Group Vision 2021 (New KV2021), its long-term management vision newly developed from the KV2021 long-term management vision in order to redefine the 2021 Vision and strategic framework for value creation.

Long-Term Management Vision

New KV2021

New Kirin Group Vision 2021



Kirin Group 2016-2018 Medium-Term Business Plan

Basic policy

Restructure and revitalize Kirin, groupwide

Key initiatives

Implement specific strategies in accordance with the positioning of each business

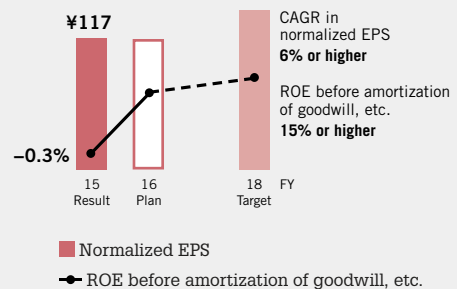
- ▶ **Invest, strengthen and grow profit base in beer businesses**
(Kirin Brewery, Lion Beer, Spirits and Wine, Myanmar Brewery)
- ▶ **Restructure and revitalize low-profit businesses**
(Brasil Kirin, Kirin Beverage, Lion Dairy and Drinks)
- ▶ **Invest to achieve outstanding growth in Pharmaceuticals and Bio-chemicals Business**
(Kyowa Hakko Kirin)

2018 quantitative targets

Raising Group profitability is our top priority, targeting increased capital efficiency and sustained growth in shareholder value.

- ▶ ROE before amortization of goodwill, etc. : **15%+**
- ▶ Normalized EPS: CAGR **6%+**

Guidance: 2018 Group operating income based on achieving above targets:
¥160.0 billion +



Financial strategy

Stable shareholder returns through dividends, enhanced financial flexibility.

- ▶ Dividend **30%+** of normalized EPS
Fiscal 2016 annual dividend forecast: ¥38 per share (Fiscal 2015 annual dividend: ¥38 per share)
- ▶ Repayment of interest-bearing debt

KIRIN'S GROWTH STRATEGIES



YOSHINORI ISOZAKI
President & CEO

The Kirin Group sincerely faces its challenges and is addressing those challenges in accordance with new strategies for achieving sustained enhancement of corporate value. In this section, Kirin Holdings President & CEO Yoshinori Isozaki provides frank replies to tough questions and clarifies the steps that the Group is taking to return to a growth track.

Q.

Beginning with fiscal 2013, operating income declined for two consecutive years, and, looking back over the 10-year period from fiscal 2004, growth in profits has not kept pace with growth in sales. That was the situation when you became president & CEO of Kirin Holdings in March 2015. What is your view of the challenges faced by the Group?

A.

There were problems with the efficient allocation of our management resources and with our ability to respond to downturns in the business environment. I believe that we could have done more to leverage our competitive edge in the ability to create value.

We have a competitive edge in our ability to create value.

The Kirin Group leverages its advanced technological capabilities and manufacturing capabilities to produce high-value products, and it has superior capabilities in the creation of value. One example is *Kirin Hyoketsu*[®]. With this product, we have created an invigorating drinking sensation by mixing refreshing vodka with juice, selling it in an original diamond-cut can. These features have been well received by consumers. *Kirin Hyoketsu*[®] has substantially expanded the RTD*¹ market in Japan, and it has become a hit product that continues to drive market growth. *Tanrei Green Label* is another high-value product that draws on the distinctive strengths of the Kirin Group. In addition to a delicious taste, *Tanrei Green Label* offers functional benefits with a 70% reduction in sugar, and it has earned the support of consumers in Japan. Since its launch in 2002, unit sales have reached approximately 7.3 billion units, and it has driven growth in the functional products category as a long-selling brand.

*1. Ready-to-Drink. Packaged low-alcoholic beverages sold in a prepared "ready-to-drink" form.

There were problems with the efficient allocation of our management resources and with our ability to respond to downturns in the business environment.

There are two key reasons why we were not able to link our strong value creation capabilities to bottom-line growth.

The first reason is that we did not efficiently allocate our management resources. For example, in the Japanese beer business, despite a basic strategy of focusing investment on our core brands, we pursued sales volume through product launches. We did not implement a consistent strategy. As a result, I believe that our investment was dispersed over multiple products and we did not adequately nurture superior brands.

The second reason relates to our ability to respond to downturns in the business environment. One example is our subsidiary Brasil Kirin. From the second half of 2013, competition among companies intensified in Brasil Kirin's market. In this setting, we implemented price increases to secure profits, and those increases were excessive. Also, the renewal of a core brand ended up backfiring and losing the support of consumers. In these ways, we had a series of marketing failures. Kirin Holdings needed to move quickly in response to this situation, and we did not have a governance system that was suitable for that task.

Q.

Given the understanding of the issues that you described, what reforms did the Kirin Group implement in fiscal 2015, and what results were achieved? Also, what challenges remain to be addressed?

A.

Through selective investment, we were able to put a stop to the downward trend in our share of the Japanese beer market, which had continued to decline for five years. In addition, we were able to further increase our share in the functional products category, which is expected to record strong growth over the medium to long term. At the same time, we began to implement rigorous structural reforms at Brasil Kirin.

Japanese beer market: Returning to growth in market share through focused investment in core brands

On being appointed, the first thing that I did was take steps to rebuild our Japanese beer business. This business is the pillar of the Kirin Group's operations, and successfully rebuilding it depends on the motivation and morale of all of the Group's employees. Specifically, we focused investment on our flagship brand, *Kirin Ichiban Shibori*. Kirin Brewery planned for a year-on-year decline in profits and stepped up investment in marketing. As a result, for the first time in six years, the business's declining share among Japanese beers*² turned around and began to increase, which led to gains in the motivation of Group employees.

Recording substantial results in the functional products category, a growth field

We have established a competitive edge in the functional products category. In fiscal 2015, Kirin Brewery's share*² in this category recorded further gains, and that was another significant success. Consumers are becoming increasingly health conscious. The functional products category is expected to record strong growth, and it is also an area in which we can leverage our technological capabilities. The Kirin Group is aiming to create

value through initiatives that address social issues over the medium to long term, and I believe that the functional products category will play an important role in helping us achieve that goal.

*2. In fiscal 2015, Kirin Brewery's share in the Japanese beer market was 33.4%, up 0.2 percentage point from fiscal 2014 (based on the taxed quantity shipped in 2014 and in 2015), and share in the functional products category was 44.6%, up 5.4 percentage points year on year (based on Kirin estimates).

Making major changes at Brasil Kirin, where earnings are declining

On the other hand, at Brasil Kirin, where results have worsened considerably, we have begun to implement rigorous structural reforms. We strengthened governance with the appointment of an executive officer at Kirin Holdings with responsibility for Brazil operations. With the holding company and the operating company working together, we have established a system that can accelerate the implementation of structural reforms. In addition, we reached outside the Group to appoint a new Brasil Kirin CEO with expertise in sales. We also shifted to undertake marketing initiatives rapidly and implemented major cost reductions. It will still require some time before the effects of this series of initiatives show up in Brasil Kirin's results, but we will definitely rebuild the company within three years.

Q³.

In industrially developed countries, such as Japan and Australia, the markets are mature and the integrated beverages businesses have reached peaks. How will the Kirin Group achieve sustained growth in this type of market environment? What will be the Group's growth drivers?

A.

We will achieve sustained growth by continuing to focus our investment on our core brands and by expanding added value to meet diversifying needs.

Shifting the competitive axis from volume to value

As suggested by your question, the overall scale of the Japanese beer market is not expanding. In this environment, if we simply continue the previous approach of pursuing sales volume, competition among companies will intensify and profitability will decline.

Accordingly, we will steadily shift our competitive axis from volume to value by leveraging the distinctive technical expertise of the Kirin Group. That is the growth strategy of the Group.

Consumer needs are undergoing a transformation.

In the background of our shift from volume to value is a change in consumer needs. In the era of mass consumption, when markets continued to expand, manufacturers were able to achieve growth simply by focusing on expanding sales of national brands.

Today, however, the needs of consumers are diversifying at an accelerating pace, and we have to respond appropriately to these changing needs at the same time as we work to expand sales volume of our national brands.

Taking initiatives to ensure products respond to growing health consciousness as well as individuality, regionality, and seasonality*³

In Japan, our strategy is to strengthen our core brands while simultaneously addressing the growing health consciousness of consumers by

reinforcing our presence in the functional products category. At the same time, to meet consumer needs for beer with a variety of tastes and the personality of the brewer, we are devoting resources to the development and sale of craft beers.

In recognition of how consumers feel strongly attached to their local regions and how Japanese consumers are highly sensitive to materials and seasonal offerings at their peak, we are also developing and selling products aligned with local characteristics and a sense of the seasons. Through the implementation of these types of initiatives, we have begun taking steps to activate the beer market and create demand by proposing new ways to enjoy beer.

*3. For examples of specific initiatives, please see the "Special Feature—Kirin's Unique Value and Market Creation Initiatives" section of this report.

In an age of individualization and diversification, technical expertise will be essential to success.

Implementing an accurate response to the transformation of needs is certainly not something that can be achieved by all manufacturers. The Kirin Group has strong R&D capabilities. Also, we have past experience in using our technical expertise to implement timely responses to the transformation of needs and to create entirely new value and markets. That is why I believe that the Kirin Group can successfully address the current transformation in consumer needs.

Q.

What is the rationale for the fact that the Kirin Group's operations extend beyond alcoholic beverages and non-alcoholic beverages to include the Pharmaceuticals and Bio-chemicals Business? Also, what level of growth potential do you see in the Pharmaceuticals and Bio-chemicals Business, and what type of strategy will be followed to ensure its sustained growth in the future?

A.

The Pharmaceuticals and Bio-chemicals Business, which is one of the Kirin Group's core businesses, leverages its ability to create value to address diverse medical needs, and I expect to see strong growth in this business. Moving forward, we will expand R&D investment and work to maximize growth potential over the medium to long term.

Building a core Group business that will record growth while contributing to society through leadership in technology

At the beginning of 1980, the Kirin Group decided to enter the pharmaceuticals business, which it positioned as a new field in which it could leverage the biotechnologies cultivated in beer production. To develop *ESPO*®, a biopharmaceutical that was launched in 1990 as a treatment agent for renal anemia, we applied beer production technologies and succeeded in mass production. Subsequently, Kirin Pharma, which had recorded steady growth, merged with Kyowa Hakko in 2008.

Both companies had strengths in therapeutic antibodies. These antibodies are considered to offer high levels of efficacy with few side effects in treating diseases for which effective treatment methods have not been found. The merger of these two companies further reinforced these technological capabilities. The Pharmaceuticals and Bio-chemicals Business can contribute to society through the use of these types of original biotechnologies, and in that sense the business embodies the Kirin Group's unique CSV. Along with alcoholic beverages and non-alcoholic beverages, the Pharmaceuticals and Bio-chemicals Business is one of the Group's core businesses.

By implementing continued R&D investment, we will create superior pharmaceuticals and advance into the European and U.S. markets.

Kyowa Hakko Kirin, which is in charge of the Pharmaceuticals and Bio-chemicals Business, has a

promising pipeline in the fields of nephrology, oncology, immunology/allergy, and the central nervous system. Kyowa Hakko Kirin has substantial growth potential. In particular, KRN23, which is under development for such diseases as X-linked Hypophosphatemia, has been in global development for the past five years. In the cancer field, KW-0761 (Japan brand name: *POTELIGEO*®) is highly anticipated around the world in the field of cancer immunotherapy, which is currently drawing attention.

In fiscal 2015, the Pharmaceuticals and Bio-chemicals Business recorded a substantial increase in profits and made a major contribution to the Kirin Group's consolidated results. Over the medium to long term, however, I believe that the true strength of the Pharmaceuticals and Bio-chemicals Business is even greater. Accordingly, we will continue to invest in R&D, even if this places a burden on results in the short term. We will take steps to ensure sound launches of compounds in the development pipeline, build an organization that can accommodate globalization, and establish sales infrastructure. In this way, I would like to see the Pharmaceuticals and Bio-chemicals Business make strong progress in the European and U.S. markets over the medium to long term.

Three global strategic products for which approval is expected by 2020

Development code	Indication / Target Disease
KW-6002	Parkinson's Disease
KRN23	X-linked Hypophosphatemia
KW-0761	Adult T-cell Leukemia/Lymphoma (ATL), Cutaneous T-cell Lymphoma (CTCL)

5
Q.

It seems that initiatives to strengthen the profit base in the Japanese beer business and the Pharmaceuticals and Bio-chemicals Business are making favorable progress. However, what measures will the Group take for low-profit businesses, such as Brasil Kirin and Kirin Beverage?

A.

Over the period covered by 2016 MTBP, we will definitely resolve the issue of low-profit businesses by accelerating cost structure reforms and implementing selective, focused investment in high-value fields.

If we allow the issue of low-profit businesses to remain unresolved over the long term, corporate value will be damaged. We will not let this happen. As the Group's CEO, I will do my utmost to improve low-profit businesses within the period covered by the medium-term business plan.

1. Brasil Kirin: Restoring top-line growth potential and implementing substantial cost cuts

For Brasil Kirin, we have established an organizational structure that will function in a highly effective manner under the governance system of Kirin Holdings. We have taken steps to reinforce marketing at Brasil Kirin, such as changing the local CEO, rebuilding the distributor network, and revising the pricing policy. Now, Brasil Kirin is in the process of breaking out of the slump in which it recorded continued, substantial declines in market share.

Moving forward, we will ensure the recovery of top-line growth potential and accelerate cost structure reforms. Our strategy for restoring top-line growth potential will entail focused investment in the core brand *Schin* in the northern and northeastern regions of Brazil, where Brasil Kirin has traditionally had a strong presence. In the southern and southeastern regions, where Brasil Kirin has historically been less competitive, we will implement region-specific strategies to increase sales, centered on craft beers and other premium beers.

At the same time, a full-scale recovery in the economy of Brazil is not anticipated, and accordingly

we will immediately accelerate cost structure reforms. Our cost-reduction initiatives will include taking steps to increase the management efficiency of in-house wholesaling, optimize production sites, and reduce indirect expenses. In this way, we anticipate cost reductions of 200 million reais (approximately \$53 million) in fiscal 2016.

2. Kirin Beverage: Increasing sales of products in cans and small PET bottles and revising the cost structure

Kirin Beverage has steadily recorded top-line growth. In fiscal 2015, for example, core brand *Kirin Gogono-Kocha* recorded favorable results, and in the carbonated non-alcoholic beverages category the *Mets* brand substantially enhanced its presence.

Moving forward, we will shift the management focus to profit growth by improving sales methods and product mixes and reevaluating the cost structure.

In the shift to profit growth, we will focus investment on core brands. We will use as a management objective the sales ratio of products in cans and small PET bottles, which are highly profitable. In addition, to increase the sales ratio of vending machines, which are profitable channels, we will strengthen joint sales with other companies.

In reevaluating the cost structure, we will rigorously reevaluate the supply chain overall and reduce the cost of goods sold and other costs by increasing the ratio of products manufactured in-house.

Q.

What do you think is necessary for the Kirin Group to enhance its corporate value over the medium to long term? Also, would you describe the Group's fundamental approach to increasing shareholder value?

A.

Sustained enhancement of corporate value will result from the ongoing provision of added value that addresses social issues, the continual strengthening of the foundations for the provision of that added value, and the generation of Group synergies. We will also focus on raising shareholder value, including stock price appreciation. To that end, we will continue to give priority to enhancing shareholders' returns and will strive to steadily meet the quantitative targets set out in 2016 MTBP.

Accelerating the creation of value linked to the resolution of social issues

It is important to steadily address social issues related to well-being and to accelerate growth led by the creation of value that delights customers. In this way, it will be possible to increase both social value and economic value and to achieve sustained enhancement of corporate value.

Implementing ongoing initiatives to strengthen the value creation foundation

To that end, it will be important to continually strengthen our business platforms, especially our technology platform, for the generation of the Kirin Group's unique added value. Moreover, our business platforms are supported by our people, and accordingly we will continue to actively invest in human resources development from a medium- to long-term perspective. Also, in regard to human resources and technologies, we will not be overly committed to handling everything in-house. Our primary consideration will be the creation of value, and we will draw on external resources as needed.

Generating Group synergies

It is also important for the Group's operating companies to leverage each other's assets to generate synergies. For example, in Japan we are implementing aggressive initiatives in the craft beer

field. Craft beer is also a growth market in Australia, where Lion has been earning the top share and leading growth in the Australian craft beer market. Our craft beer initiatives in Japan are the result of Kirin Brewery successfully drawing on Lion's know-how.

In addition, with Myanmar Brewery, which we acquired in August 2015, we are in the stage of expanding manufacturing capacity to meet beer demand in Myanmar, which is expected to grow rapidly. Kirin Brewery is successfully providing technical support, and we are cooperating in the addition of the first premium beer products to Myanmar Brewery's brand portfolio.

The Kirin Group is a distinctive business group with operations in the fields of alcoholic beverages, non-alcoholic beverages, and pharmaceuticals and bio-chemicals. In the future, we will continue to take on the challenges of leveraging synergies among these business domains and, in line with the theme of "well-being," searching for fields in which we can create new value that helps to resolve social issues.



Career

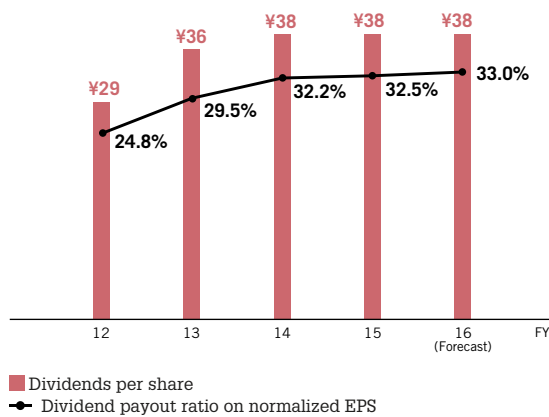
I joined Kirin Brewery in 1977. Working principally in the Corporate Planning Department, I gained experience in Japanese beer business branches and in business development units, both in Japan and in Los Angeles. I studied at the Cornell University School of Hotel Administration and worked in the Kirin Group's hotel business. I also worked in PR at Kirin and served as vice president of San Miguel Corporation, in the Philippines. I became a managing director of Kirin Holdings in 2010, and in 2012, I was appointed as president & CEO of Kirin Brewery. In 2013, I became president & CEO of Kirin Company, and I was subsequently appointed as president & CEO of Kirin Holdings in March 2015.

Focusing on overall enhancement of shareholder value

We have implemented aggressive measures for shareholders' returns, such as through continued increases in dividends and own stock repurchases. Moving forward, we will continue to steadily implement a dividend payout ratio on normalized EPS of at least 30%.

Of course, shareholder value is not something that can be enhanced simply through dividends. In addition to dividends, the stock price is also important to shareholders, and to further advance management that reflects consideration for the stock price we will do our utmost to steadily achieve the quantitative targets set out in 2016 MTBP.

Dividends per share / Dividend payout ratio on normalized EPS



President & CEO of Kirin Holdings

SPECIAL FEATURE

Kirin's Unique Value and Market Creation Initiatives

1 Steady Initiatives in Growth Categories

Initiatives Related to the Theme of "Well-Being"

Leveraging Kirin's unique strength to address market needs related to well-being

The Kirin Group has incorporated the themes of "food and well-being" into its corporate philosophy, and, as needs related to well-being have diversified along with changes in society, the Group has taken steps to use its technological capabilities to address those needs. In recent years, the average life span in Japan has increased, and there are growing needs toward products and services that shift from treatment to prevention.

Accordingly, the market for health-related products is expected to record continued growth.

To support healthy lifestyles, the Kirin Group has drawn on its original technologies, which are based on the fermentation and biotechnological capabilities cultivated since the Group's founding, to develop a wide array of products. Among these are products that add health-related benefits to great taste as well as products that feature low levels of sugar and calories and have low burdens on the human body.

Initiatives to date

World's first*1 new genre beverage with "0 purines, 0 carbohydrate, and reduced calories,"**2 Kirin Nodogoshi All Light

By leveraging technologies and know-how developed over many years, we achieved 0 purines, 0 carbohydrate, and reduced calories with Kirin Nodogoshi All Light. In addition to consumers who worry about purines, Kirin Nodogoshi All Light has also earned the support of young women. Sales of this product have exceeded expectations, and it has become a driving force in the market for functional products.



- *1. World's first beer-flavored alcoholic beverage with 0 purines, 0 carbohydrate, and reduced calories (Kirin estimates)
- *2. 0 purines: Less than 0.5 mg of purines per 100 ml indicated as 0 purines
0 carbohydrate: According to nutritional labeling standards
Reduced calories: According to nutritional labeling standards

Promoting healthy lifestyles: The Goodness Project

In Australia, Lion's dairy and drinks business is advancing The Goodness Project, under which it is working to increase the share of its in-house products accounted for by products that enable healthy lifestyles even if consumed every day. Under this project, Lion's goal is for these products to account for 80% of in-house products by 2019. In addition, Lion will aim to develop products that offer reduced chemical substances, such as artificial seasonings, and do not use trans-fats. In these ways, Lion is working to support the healthy lifestyles of people in Australia.



Promoting drinks with function claims: Perfect Free and Shokuji no Nama-cha

Our non-alcoholic beer taste drink, Perfect Free, offers dual functionality in suppressing fat absorption and moderating sugar absorption. Shokuji no Nama-cha provides triple functionality by combining indigestible dextrin to offer the function of regulating the gastrointestinal condition in addition to the two functions just mentioned.



"Lactococcus Plasma"

Kirin and Koiwai Dairy Products were the first to discover the health value of "Lactococcus Plasma," which is the lactic acid bacteria used in Mamoru Chikara beverages for people who are busy each day and unable to rest. Currently, we offer "Lactococcus Plasma" series products in a variety of categories, including yogurt-flavored beverages, yogurts, and supplements.



Reasons for the popularity of craft beer

DRINK LESS DRINK BETTER

Consumers want to drink a reduced amount of beer that they consider to be of high quality.

SEEK VARIETY

Consumers want to enjoy beer with abundant varieties and diverse flavors.

LOCAL

Key trends include local production for local consumption and local community orientation.

ARTISAN

Trends include a culture of craftsmanship not limited to existing rules and a do-it-yourself spirit.



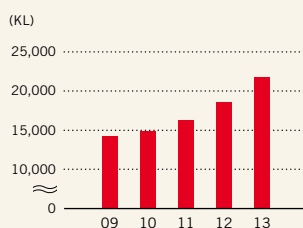
Craft Beer

Creating a new beer culture for the enjoyment of individuality and flavor

With the beer market contracting, distinctive beers known as craft beers are currently recording dramatic growth, centered on industrially developed countries. Craft beers deliver value in the form of “variety” and “taste,” which are the traditional appeals of beer, and that value is a good match for the lifestyles of consumers who want added value in the enjoyment of selecting beer. In addition to being enjoyed among traditional beer drinkers, craft beers have been well received among younger consumers, who had moved away from beer but consider craft beers to be “alcoholic beverages that enrich my lifestyle.”

Kirin was the first in Japan to focus on the appeal of craft beer. We will work aggressively to enrich Japan’s beer culture through the growth and establishment of the market and to make craft beer a growth driver in the Japanese beer business.

Sales volume of craft beer in Japan



Note: Prepared by the Company based on craft beer production reports issued by the National Tax Agency

Craft beer’s share of the market for beer-related beverages

	Japan	North America
Volume basis	Less than 1%	About 11%
Monetary basis	—	About 19%

Looking back on the history and growth of the craft beer culture

In Japan, the beginnings of the craft beer culture is said to be the “local beer” boom of 1994, when deregulation was implemented. At that time, however, craft beer did not develop a market-leading presence due to such

factors as the difficulty of maintaining high quality and the high prices, or rather a sense that prices were comparatively high. However, as a part of the counterculture movement that reacted against the 20th century’s mass production and mass consumption, there was a sudden craft beer boom, which began in the United States and later spread to European countries and Australia. In the 2010s, signs of a craft beer boom appeared in Japan.

Craft beers were reevaluated as alcoholic beverages that offer a diverse range of distinctive flavors and can be enjoyed casually. Craft breweries with advanced technical capabilities and brand strength have been established. Quality and flavor are improving each year, and, as growth markets, craft beer markets are expected to play an increasingly important role around the world.

Building a presence in craft beer markets in Japan and around the world

The Kirin Group is developing the *SPRING VALLEY BREWERY* and *Grand Kirin* brands. Moreover, in September 2014, we concluded a business and capital alliance agreement with YO-HO BREWING, a leader in the craft beer market in Japan. From spring 2016, a keg beer version of YO-HO BREWING’s representative product—*Yona Yona Ale*—will be marketed through the Kirin Brewery sales network. In these ways, we are taking steps to address diversifying customer needs. In addition, in Australia we are providing such craft beers as *James Squire* and *Little Creatures*, which enjoy strong popularity, centered on beer pubs. As a result, we have earned a top share of the craft beer market in Australia. We are also continuing to offer appealing craft beers in Brazil, and we are aiming to strengthen our lineup of high-value products in the Brazil market.

Moving forward, we will strive to activate the craft beer market and to create an appealing beer culture.

2 Initiatives to Address Each Region's Diversifying Needs

Implementing the 47 *Todofuken no Ichiban Shibori* Project

From May to October 2016, Kirin Brewery will roll out the *Jimoto Umare no Ichiban Shibori* series 47 *Todofuken no Ichiban Shibori* Project on a regional, limited-edition basis. These products will offer distinctive tastes and individuality for each of Japan's 47 prefectures.

The slogan of the 47 *Todofuken no Ichiban Shibori* Project is "Changing local pride into flavor." We worked closely with customers who live in local regions to develop this series of beers over an extended period of time. These special beers incorporate the distinctive appeal of local regions, such as each region's unique climate, character, and food culture.

With this series of *Ichiban Shibori* beers, we will respond to the wishes of customers in Japan's 47

prefectures, and at the same time we will contribute to the activation of each region, activate the beer market itself by expanding overall demand, and strengthen the *Ichiban Shibori* brand.



Dedication to matching the distinctive characteristics of each prefecture, such as compatibility with local flavors, colors, and noted products

Note: We are supporting the reconstruction of the areas affected by the Kumamoto earthquake by donating ¥1 for each 47 *Todofuken no Ichiban Shibori* product that is sold.

We would like to express our heartfelt sympathy to all of those who suffered from the Kumamoto earthquake.

3 Transition from "Selling Products" to "Transmitting Culture"

Creating a new beer culture through SPRING VALLEY BREWERY (SVB)

Kirin is advancing the SPRING VALLEY BREWERY Project as a medium- to long-term initiative that will build the future of beer. We are communicating beer's traditional appeal and new enjoyment through entirely new beer-drinking experiences that surprise customers and through creative initiatives implemented in cooperation with customers. With brewers and beer drinkers working together to create an even more enjoyable beer culture and build the exciting new future of beer, we are aiming to activate the beer market overall.

SPRING VALLEY BREWERY is the name of the first commercially successful brewery in Japan, which Kirin Brewery inherited from its predecessor, Japan Brewery.



For Kirin, SPRING VALLEY represents challenges and the pioneering spirit. In other words, the SVB brand symbolizes how the value of Kirin beer expresses "the spirit of innovation with roots in history and tradition." SVB Tokyo is a base for representing the future of beer and transmitting a new beer culture in the Tokyo neighborhood of Daikanyama, while SVB Yokohama is a place for customers to experience the history and tradition of the SVB brand, which originated in Yokohama during the Meiji era.



Diverse lineup with taste, variety, and innovativeness

Introducing SPRING VALLEY BREWERY facilities



TOKYO

Concept: "CRAFT BEER & ALL DAY DINING"

All day dining facility where a variety of locally made craft beers can be enjoyed with food made from natural ingredients



YOKOHAMA

Concept: "BEER TAVERN"

Classical beer tavern that calls to mind Meiji-era Yokohama and offers pairings of craft beers and carefully prepared food

4 Next Step in Overseas Growth Markets

Securing a business foundation in Myanmar, which is drawing attention as a promising market even in Southeast Asia

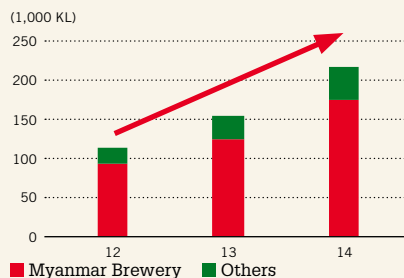
In August 2015, the Kirin Group acquired 55% of the outstanding shares of Myanmar Brewery Limited, which has a market share in Myanmar of about 80%.

Myanmar is expected to record high growth and increasing consumption following the country's recent democratization, ongoing reforms, and the progressive lifting of previous economic sanctions. In recent years, GDP has grown at a pace of 7% to 8% annually. In addition, Myanmar has a population of more than 51 million, and young people, who will be the primary customers for beer in the future, account for a significant percentage of the population. Moreover, beer consumption per person, at 3.7 liters, is comparatively low and there is room for growth. Accordingly, Myanmar is an attractive market in which significant growth is expected.

Moving forward, we will work to sustain and reinforce the position of Myanmar Brewery as a market leader, and at the same time we will expand production capacity and sales channels to accommodate market growth. We will also take rigorous steps to address the market entry of competitors. In these ways, we will work to secure an overwhelming presence in the region.



Sales volume of beer in Myanmar



Annual average growth rate in sales volume (2012-2014):

38%

CFO's Message



We are working to enhance corporate value by further increasing capital efficiency while concurrently achieving higher profitability, enhanced shareholders' returns, and greater financial flexibility.

AKIHIRO ITO
 Director of the Board,
 Senior Executive Officer & CFO

Cash flow forecast and allocation under 2016 MTBP

Under 2016 MTBP, our quantitative targets are ROE before amortization of goodwill, etc., of 15% or higher and CAGR in normalized EPS of 6% or higher. Based on the achievement of these targets, our operating income guidance for fiscal

2018, the final year of 2016 MTBP, is ¥160.0 billion or higher, an increase of about ¥35.0 billion compared with operating income in fiscal 2015. By accelerating value-based growth, we will improve the product mix, and, through cost structure reforms implemented with a sense of speed, we will steadily raise efficiency. In these ways,

Cash flow allocation under 2016 MTBP

Operating cash flow	¥550.0 billion or more	<ul style="list-style-type: none"> ▪ Key priority: Strengthen investment in Kirin Brewery ▪ Cut costs to generate funds for growth investment ▪ Of capital expenditures of ¥270.0 billion, reduce capex in low-profit businesses (cut by about 40% compared with 2013 MTBP)
Investing cash flow <small>(Not including strategic investment)</small>	¥290.0 billion	
Free cash flow	¥260.0 billion or more	
Shareholders' returns (dividends)	¥125.0 billion	<ul style="list-style-type: none"> ▪ Dividends 30% or more of normalized EPS, stable returns to shareholders
Debt repayment	¥135.0 billion	<ul style="list-style-type: none"> ▪ Steadily repay debt to achieve financial flexibility

we aim to achieve a net profit margin of 5.5% or higher.

Through increased profits and higher profitability, over the next three years we expect to generate operating cash flow of ¥550.0 billion or more. Of investing cash flow of ¥290.0 billion, through efficient allocation in investments we expect to limit capital expenditures to ¥270.0 billion, compared with ¥330.0 billion over the three years of the Kirin Group Medium-Term Business Plan 2013-2015 (2013 MTBP). Specifically, we will focus investment on priority businesses in the Group's beer operations, and we will reduce capital expenditures in low-profit businesses, such as Brasil Kirin and Kirin Beverage, by about 40% compared with 2013 MTBP. In such ways, we will limit the total amount of capital expenditures.

Free cash flow generated through the prioritized allocation of resources and through structural reforms will be allocated to shareholders' returns on a priority basis. With a fundamental policy of normalized EPS of 30% or more, we will continue to pay dividends in a stable manner.

Moreover, by using approximately ¥135.0 billion in cash for the repayment of interest-bearing debt, we will be able to further strengthen our financial foundation and increase the flexibility of our balance sheet in preparation for the future.

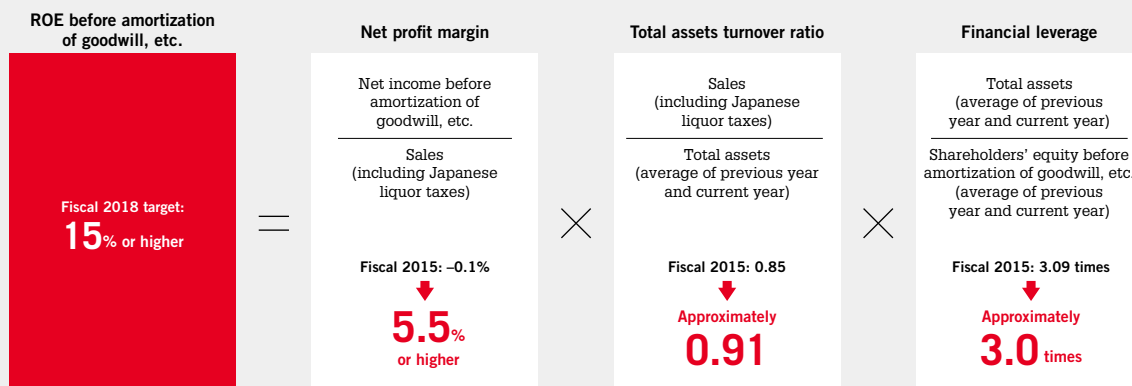
Initiatives to further increase capital efficiency

To achieve ROE before amortization of goodwill, etc., of 15% or higher, we aim to improve the net profit margin through higher profitability as mentioned earlier. Furthermore, we will strive to raise the probability to meet the quantitative target by realizing the optimal balance among profitability, efficiency (total assets turnover ratio), and leverage (financial leverage).

In regard to efficiency, we will improve working capital through inventory reductions and other means, and we will consider further asset sales and business portfolio optimization. In these ways, we aim to improve the total assets turnover ratio to approximately 0.91.

Although we aim to reduce financial leverage in order to increase financial flexibility, we expect to maintain a comparatively high level of financial leverage, approximately 3.0 times.

Initiatives to increase ROE



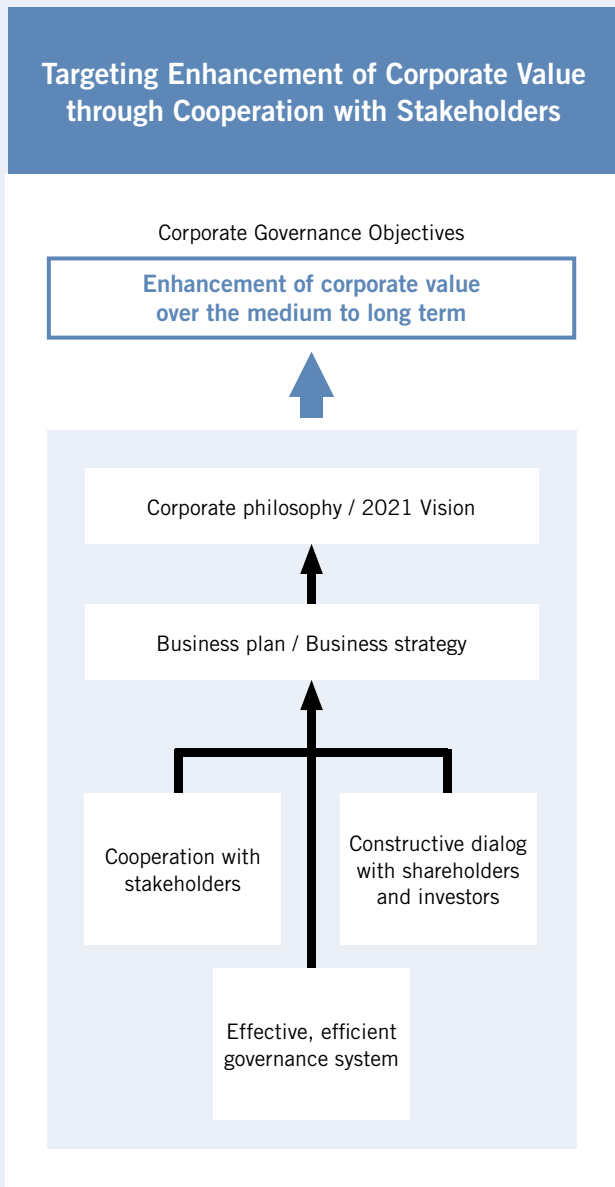
CORPORATE GOVERNANCE

Monitoring Kirin's System for Value Creation

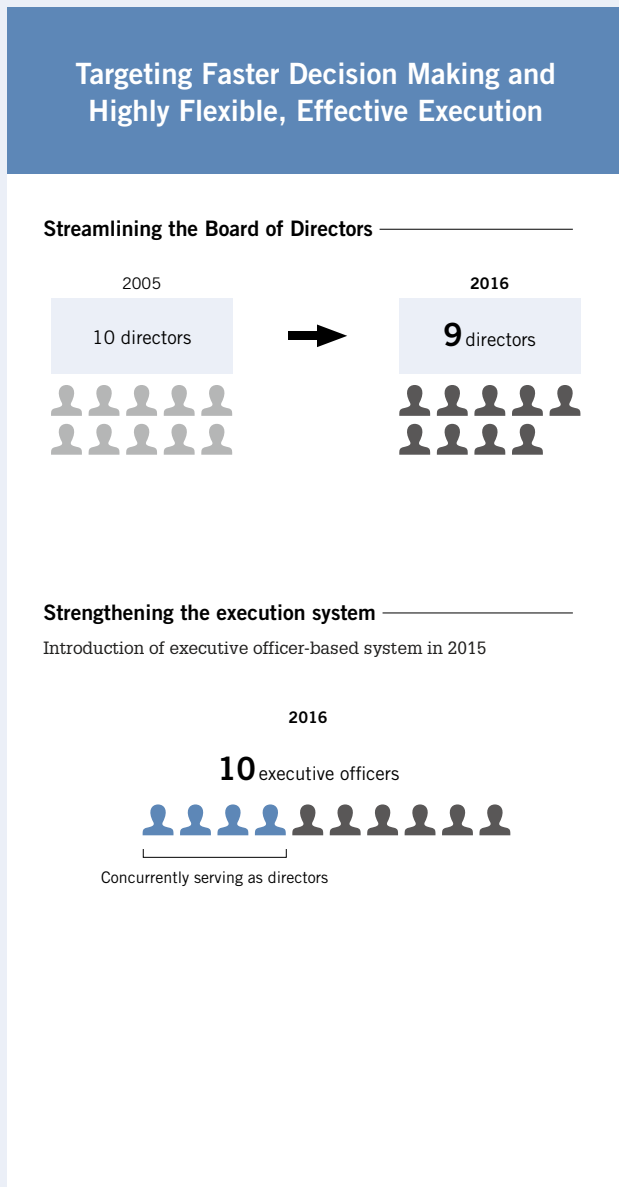
To ensure the speedy, steady creation of value, the Kirin Group continues to implement corporate governance reforms to establish a more-innovative, highly effective management system.

Key Points of Kirin's Corporate Governance

POINT 1



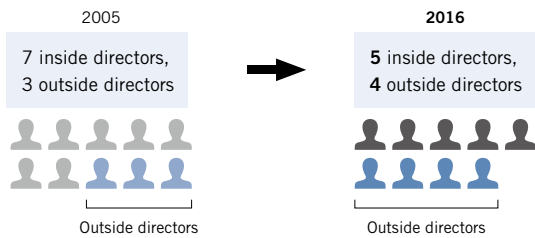
POINT 2



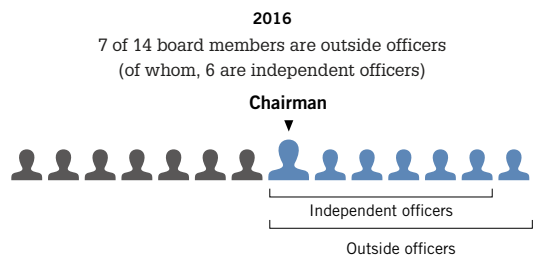
POINT 3

Targeting More-Transparent, Objective Management

Increasing the number of outside directors

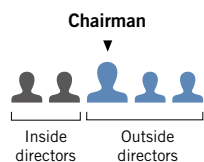


Improving the composition of the Board of Directors



Nomination and Remuneration Advisory Committee

- 3 of 5 members are outside directors
- Chaired by an outside director

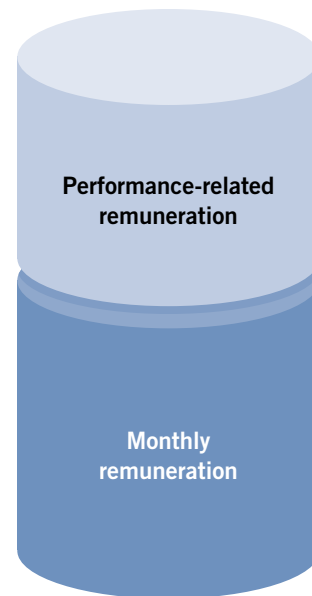


POINT 4

Targeting Management Ownership and Clarification of Responsibilities

Performance-related remuneration

The Company utilizes a performance-related remuneration system. This system comprises bonuses, which are linked to such indicators as ROE before amortization of goodwill, etc., normalized EPS, consolidated operating income, and total shareholders' return, and share-purchase remuneration.



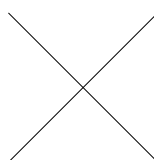
A Conversation between Outside Directors



Kimie Iwata

Career

1971 Joined the Ministry of Labour
 2004 Director and Corporate Officer of Shiseido Company, Limited
 2008 Director and Executive Vice President of Shiseido Company, Limited
 2012 Outside Audit & Supervisory Board Member of the Company
 2012 Advisor of Shiseido Company, Limited (current position)
 2016 Outside Director of the Company (current position)



Toshio Arima

Career

1967 Joined Fuji Xerox Co., Ltd.
 2002 President and Representative Director of Fuji Xerox Co., Ltd.
 2006 Director of FUJIFILM Holdings Corporation
 2011 Outside Director of the Company (current position)
 2012 Executive Advisor of Fuji Xerox Co., Ltd. (current position)

The Corporate Governance Code took effect from June 2015, and the question of how to implement proactive governance and enhance governance systems has become an important management issue for companies.

Kirin Holdings is working to enhance corporate governance in order to increase corporate value. To that end, the Company is taking such steps as appointing an outside director as Chairman of the Board and appointing a female officer to the Board of Directors.

In April 2016, Toshio Arima, an outside director, became Chairman of the Board, and Kimie Iwata transitioned from outside Audit & Supervisory Board Member to outside director. These two directors engaged in a conversation and provided their opinions about Kirin's corporate governance.

Changes in the Kirin Group during the Directors' Tenure

Arima: Kirin is a company that is taking a sincere approach to management. Since I joined the Company, I have had a high opinion of the corporate culture, in which officers and employees accurately recognize important management themes and issues and work to tackle them in a straightforward manner. However, I also think that there have been some issues where the approach may have been too refined and not aggressive enough. President Isozaki has indicated the importance of “practical strength,” and this concept could apply to driving success in the face of intense competition or to launching an all-out response to changes in the operating environment. In that regard, perhaps the approach could have been more aggressive in some areas. However, looking at the recent reversal in the market share for beer and the structural reforms at Brasil Kirin, I am pleased to say that I am starting to see positive changes, such as the assignment of precise priorities to management issues and the implementation of finely tuned initiatives.

Iwata: My thoughts are similar to those of Mr. Arima. I think that the Company is taking a very sincere approach, including both managers and employees. I am pleased to have the opportunity to work together with everyone, and I have a strong sense of trustworthiness. However, on the other hand, I have had the impression that there has not been a sufficient sense of urgency in responding to the competitive situation and changes in the operating environment, perhaps because there still remains a bit of the mindset from the Company's former position of market dominance.

I became an outside Audit & Supervisory Board Member of Kirin Holdings in 2012, and it was about that time that the Company began to face challenges in terms of profitability. However, there was hope for improvement because it was clear where the problems were. For example, there were significant problems with management in Brazil, and there were failures in such areas as product renewals and sales agents. Nonetheless, the causes were clear, and now countermeasures are being implemented. The issue of widely dispersed marketing investment has also begun to be addressed with the gradual assignment of priorities. Looking over the past year, I have started to see positive signs.

Arima: Overseas, one issue is the extent to which management is being conducted from a global viewpoint. And another important issue is how global human resources will be developed. These are issues that will require some

time to address, and they will not be resolved quickly. However, as an outside director, I will be taking a close look at these issues.

The “New KV2021” Long-Term Business Plan and the New Medium-Term Business Plan

Iwata: I was very impressed with the “New KV2021” vision. “Creating social value” and “creating economic value” are positioned as having equal merit in terms of management success. This is a clear declaration that the Company will achieve both. I think this reflects a recognition that the only way for Kirin to achieve sustained growth is to grow together with society. Moreover, the strategic framework incorporates Kirin's distinctive approach to CSV. CSV management is indispensable for sustained growth, yet there are a surprisingly small number of companies that have a deep understanding of the essence of CSV management and are working earnestly to implement it. In that regard, Kirin is taking a serious approach to CSV, and I believe it to be a company that is extremely advanced in this area.

Of course, a future issue for Kirin will be reflecting the vision in its future annual plans and implementing it on a broad scale.

Arima: I feel the same way about the vision. After all, it has to be implemented with “conviction.” And to have that conviction, an effective methodology is essential. As Ms. Iwata said, the next issue is to demonstrate the methodology. The Company will follow a two-axis approach that incorporates both social value creation and economic value creation, with management plans and CSV unified. To that end, Kirin will need to incorporate a specific methodology into the time frame, while providing detailed explanations and making the vision more practical for growth.

Iwata: The Company has made clear that business will be grown through the creation of social value, and I am starting to see specific progress in this area. This is a positive development. A number of steps have been taken in a very good direction, such as the launches of *Hyoketsu*[®] products that use peaches from the Tohoku region and *Ichiban Shibori* products that leverage the individuality of regions throughout Japan. However, these initiatives have just gotten under way. The real challenges are still ahead. “Health” is a key word in the current medium-term business plan, and I look forward to seeing how this key word will be given shape in the creation of value.



Arima: I am paying considerable attention to time frames. Companies must manage their businesses and succeed in the face of competition. The use of Tohoku peaches is, in a sense, only a relatively small initiative, but I think of this as part of the process of building a business model through the accumulation of these types of initiatives. If a methodology can be identified, then it can be implemented in a variety of directions. In addition, society also benefits when employees are active outside the Company in areas other than business activities, such as volunteering.

Progress in Kirin's Governance

Iwata: I believe that Kirin is doing an excellent job in regard to governance. Kirin has reduced the number of inside directors. In addition, while continuing to utilize the "Company with Audit & Supervisory Board" system of governance, Kirin has established committees that conduct a wide range of discussions. I think that the Company has an extremely advanced governance structure. In particular, at meetings of the Board of Directors the atmosphere is conducive to free and open expression by the outside directors. Accordingly, we are speaking our minds without hesitation. Of course, this is also our responsibility, but I think that there are still some points that need improvement, such as the ways in which agenda items are decided and time is allocated.

Arima: I agree. If I were to add one more thing, when I was asked to be Chairman, I was not sure what to do and I hesitated, because I thought that this was one method of further progress for the management of Japanese companies. Now that I have undertaken this position, I will pursue changes accordingly. The first will be the method of holding discussions. To increase the efficiency of time utilization, I think we should establish a framework for clarifying the discussion points that will be addressed and for providing explanations. And the decisions, or agreements,

should lead to action. I think we should strive for discussions that make absolutely clear what the next step will be.

Another issue is the way in which discussion points are selected. I think that the Company should have a framework for holding discussions that incorporate, from an outside viewpoint, important topics such as challenges and risks that Kirin faces but are not readily visible from an insider's perspective.



Iwata: This year, I transitioned from outside Audit & Supervisory Board Member to outside director. In 2012, I became Kirin's first female Audit & Supervisory Board Member, and now I have become the Company's first female director. With a focus on diversity, the Company is working to increase the number of outside directors and to include more women. I will strive to understand what is expected of me in this setting. Thus far, I have expressed my thoughts in a natural manner, and there will be no change to this basic position now that I have become an outside director. In other words, in contrast with employees who have been with Kirin for their entire careers, I have experience outside Kirin in government and in corporate management, and in addition I also have experience as a woman and as a consumer. Accordingly, I have information that reflects a different sense of values. I will strive to leverage those characteristics, and without being limited by the conventional wisdom of the Company, I will add my opinions to discussions without hesitation, even if they are minority positions.

With responsibility for a portion of the management of this large company in a challenging market environment, I know that I have taken on an extremely important task, but moving forward I will do my utmost to make full use of my experience.

Corporate Governance System that Supports Kirin's Value Creation Activities

Basic View on Corporate Governance

In line with the Kirin Group's corporate philosophy and "One Kirin" Values that are shared across the Kirin Group, the Kirin Group believes that achieving the 2021 Vision outlined in the Kirin Group's long-term management vision KV2021 will lead to the Kirin Group's sustainable growth and to greater corporate value over the medium to long term. Accordingly, the Kirin Group will develop a corporate governance system that is capable of effectively and efficiently reaching that goal.

The Kirin Group believes that cooperation with all of its stakeholders will be indispensable in order to put its corporate philosophy into practice and turn the 2021 Vision that is based on this philosophy into a reality, and therefore the Group respects its stakeholders' respective viewpoints.

The Kirin Group will disclose information promptly to its shareholders and investors in a transparent, fair, and consistent fashion; will proactively engage in constructive dialog with its shareholders and investors; and will fulfill its accountability with integrity.



Cooperation with Stakeholders



Customers

We will use our technological expertise in manufacturing to pursue high quality and meet customers' expectations, bringing well-being, pleasure, and comfort to people's lives everywhere through the joy of food and well-being.

Shareholders and Investors

To further strengthen corporate governance and increase corporate value over the medium to long term, we will enhance disclosure of information and engage in constructive, two-way communication.

The environment

We will ensure that resources circulate in such a way as to reduce the environmental load generated by our value chain, ensuring that the earth can replenish its resources.

Business partners

Through fair transactions, we will build relationships of mutual trust with all business partners toward the creation of a sustainable society and offer better products and services to our customers.

Communities

We will treasure the local communities that support our business activities and contribute to their healthy and sustainable growth.

Employees

We will foster an organizational culture where a diversity of people can enjoy working, feel that they are experiencing human growth through their jobs, and take on the challenge of innovation.

Corporate Governance Structure

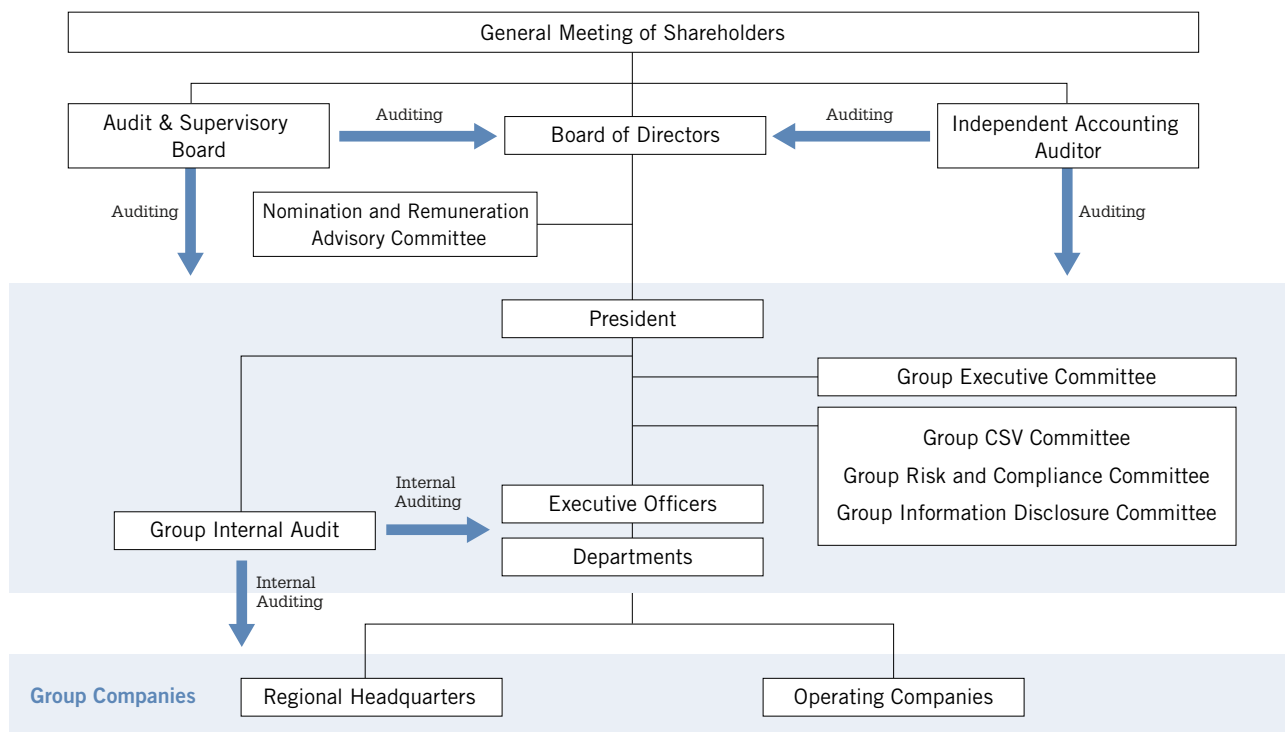
The Kirin Group has adopted a pure holding company structure as a means of controlling its diverse and global business, which is centered on alcoholic beverages, non-alcoholic beverages, and pharmaceuticals and bio-chemicals. As a pure holding company, Kirin Holdings takes on the role of devising and implementing the Group's overall strategies, monitoring individual businesses, and creating synergy through coordination across the Kirin Group.

The Kirin Group's individual companies conduct their business autonomously with a sense of speed while maintaining close ties to local customers and other stakeholders. Kirin Holdings grants appropriate authority to match the strategic stages of individual Kirin Group companies and improves governance through the boards of individual Group companies by dispatching directors to those companies. Directors or executive officers of Kirin Holdings serve

concurrently as directors at the main companies in the Kirin Group.

Kirin Holdings has adopted a Company with Audit & Supervisory Board system and aims to maintain and improve on a highly transparent governance system for its stakeholders. The Board, which includes a number of outside Directors, works closely with the Audit & Supervisory Board, which also includes a number of outside Audit & Supervisory Board Members, and makes effective use of statutory and other auditing functions to take final decisions on important matters. At the same time, the Board endeavors to reinforce the monitoring function on management. Moreover, Kirin Holdings has introduced an executive officer-based system in order to implement strategies for each of its businesses and functions in an agile fashion and to clarify executive responsibilities.

Corporate Governance Structure (As of March 30, 2016)

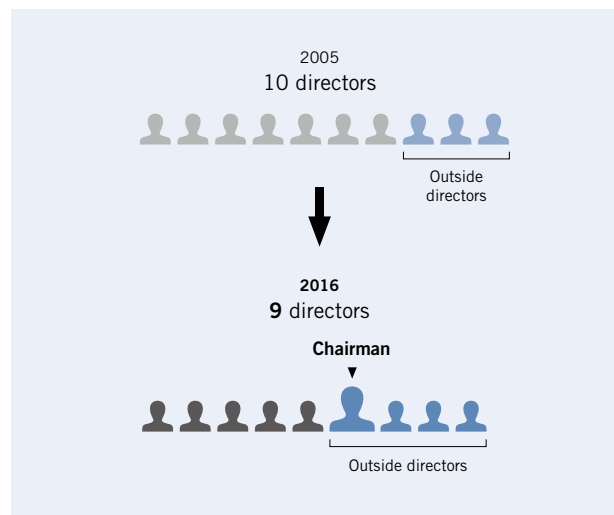


Board of Directors and Its Members

The Board aims to ensure the Kirin Group's sustainable growth and the enhancement of corporate value over the medium to long term in order to promote the interests of the Company and the common interests of its shareholders in keeping with the Kirin Group's fiduciary responsibility and accountability vis-à-vis shareholders. The Board takes decisions on legal matters and on the execution of the Kirin Group's important operations, which include long-term management visions, medium-term management plans, and yearly business plans across the Kirin Group and at key Group companies. The Board is also responsible for monitoring the execution of Directors' professional duties and for developing appropriate internal control systems across the Kirin Group.

Four outside Directors have been appointed, and an outside Director is serving as the Chairman of the Board in order to develop a highly transparent governance

system and ensure that management is monitored effectively and objectively.



Appointment of Outside Directors and Outside Audit & Supervisory Board Members

Three independent Directors and three independent Audit & Supervisory Board Members that satisfy the Company's independence criteria, with reference to the criteria for independence of officers stipulated by the Tokyo Stock Exchange, have been appointed in order to improve the fairness and transparency of corporate governance, ensure

the Group's sustainable growth, and enhance corporate value over the medium to long term.

Meetings are arranged by the full-time Audit & Supervisory Board Member and held with the attendance of outside Directors, including independent Directors and outside Audit & Supervisory Board Members, in order to promote lively and constructive discussions at Board meetings.

Reasons for Appointment as Outside Directors

Toshio Arima (Independent Officer)	The Board of Directors has nominated Mr. Toshio Arima as a candidate for outside Director because of its expectation that, from his considerable experience acquired over many years as a corporate executive, he will provide valuable opinions and suggestions to the management of the Company.
Shoshi Arakawa (Independent Officer)	The Board of Directors has nominated Mr. Shoshi Arakawa as a candidate for outside Director because of its expectation that, from his considerable experience acquired over many years as a corporate executive, he will provide valuable opinions and suggestions to the management of the Company.
Kimie Iwata (Independent Officer)	The Board of Directors has nominated Ms. Kimie Iwata as a candidate for outside Director because of its expectation that, from her considerable experience acquired over many years as a government official and a corporate executive, she will provide valuable opinions and suggestions to the management of the Company.
Katsunori Nagayasu	The Board of Directors has nominated Mr. Katsunori Nagayasu as a candidate for outside Director because of its expectation that, from his considerable experience acquired over many years as a corporate executive, he will provide valuable opinions and suggestions to the management of the Company.

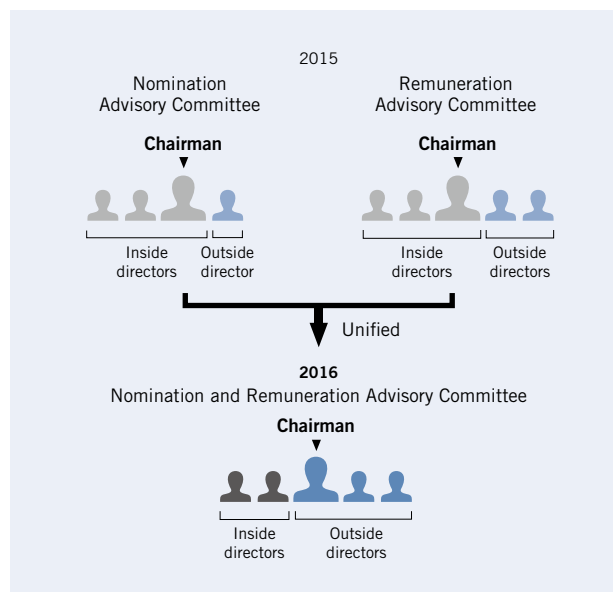
Reasons for Appointment as Outside Audit & Supervisory Board Members

Fukutaka Hashimoto (Independent Officer)	Mr. Fukutaka Hashimoto was nominated as an outside Audit & Supervisory Board Member because of the expectation that he will execute the duties of this office appropriately based on his high level of specialist knowledge and considerable experience as an attorney-at-law in corporate legal affairs.
Masakatsu Mori (Independent Officer)	Mr. Masakatsu Mori was nominated as an outside Audit & Supervisory Board Member because of the expectation that he will execute the duties of this office appropriately based on his extensive knowledge and deep insight into corporate management owing to his considerable experience as the chairman of a consulting company for many years and his work as president of a university.
Chieko Matsuda (Independent Officer)	Ms. Chieko Matsuda was nominated as an outside Audit & Supervisory Board Member because of the expectation that she will execute the duties of this office appropriately based on her considerable experience acquired over many years as a corporate executive.

Nomination and Remuneration Advisory Committee

The Nomination Advisory Committee and the Remuneration Advisory Committee, which were separate until 2015, have been unified in 2016 into the Nomination and Remuneration Advisory Committee, which serves as a voluntarily established committee that deals with the nomination and remuneration of Directors, executive officers, and Audit & Supervisory Board Members. The Nomination and Remuneration Advisory Committee is composed of five Directors (two inside Directors and three outside Directors), and the chairman of the committee is appointed from among the outside Directors. As an advisory body to the Board of Directors, the Nomination and Remuneration Advisory Committee discusses the following matters from an objective and fair perspective and reports to the Board of Directors. The matters that are discussed and reported on include the policy for the appointment of Directors, executive officers, and Audit & Supervisory Board Members; the proposal of candidates; the remuneration system and standards; and the amounts of remuneration

for Directors, executive officers, and Audit & Supervisory Board Members.



Incentives for Enhancing Corporate Value and Achieving Sustained Growth

The remuneration of Directors and executive officers is divided into a fixed amount of monthly remuneration and performance-related remuneration taking into account the achievement of targets for individual fiscal years and stock prices over the medium to long term in order to motivate management. Performance-related remuneration consists of a bonus paid each year in proportion to consolidated performance and share-purchase remuneration, which is paid as part of basic remuneration. The bonus system is such as to provide a sense of ownership and an incentive to realize the 2021 Vision for Directors and executive officers and is linked with the key management indicators that serve as milestones for realizing the 2021 Vision.

Specifically, the bonus system is linked with ROE before amortization of goodwill, etc., normalized EPS, and consolidated operating income, which are the quantitative targets, and some other key indicators that serve as milestones for realizing the 2021 Vision. The bonus system is also linked with total shareholders' return,* which is a shareholder value indicator. The bonuses for executive officers other than the chairman and the president also reflect individual performance evaluations.

In addition, ROE before amortization of goodwill, etc., which is a quantitative target in 2016 MTBP, and the related ROA are used as indicators to evaluate the results of individual operating companies.

* Total shareholders' return refers to the ratio of the total of the amount of increase in the stock price and dividends to the amount of the investment.

Officer Remuneration in Fiscal 2015

Officer classification	Remuneration totals (Million yen)	Remuneration type totals (Million yen) / Number of receiving officers			
		Basic remuneration		Bonus	
		Total	Receiving officers	Total	Receiving officers
Directors (excl. Outside Directors)	276	276	8	-	-
Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members)	69	69	3	-	-
Outside Officers	Outside Directors	32	32	3	-
	Outside Audit & Supervisory Board Members	35	35	4	-
Total	413	413	18	-	-

Notes: 1. Employee salaries are not paid to Directors and Audit & Supervisory Board Members.

2. As approved at the 164th Annual Meeting of Shareholders (March 28, 2003), the limit for the monthly remuneration for Directors (incl. outside Directors) is ¥50 million.

3. As approved at the 167th Annual Meeting of Shareholders (March 30, 2006), the limit for the monthly remuneration for Audit & Supervisory Board Members (incl. outside Audit & Supervisory Board Members) is ¥9 million.

4. The Company did not pay bonuses to Directors and Audit & Supervisory Board Members for fiscal 2015.

5. Officers receiving the basic remuneration include two Directors who resigned on March 27, 2015, and two Audit & Supervisory Board Members who resigned on March 27, 2015.

Risk Management

The Kirin Group is working to earn the trust of a wide range of stakeholders, including customers, employees, shareholders, and society; to prevent the impairment of its brands and assets; and to ensure the Group's continuity. To that end, the Group has established risk management systems and works to manage risk.

Specifically, we are taking steps to identify the risks caused by internal and external factors in the Group and the Group's businesses, and to periodically reevaluate those risks. At the same time, we are working to see that the activities of organizations throughout the Group incorporate measures to prevent risk events from occurring.

In addition, in preparation for the event that a risk arises and a crisis emerges, the Group has clarified the systems and procedures for implementing an appropriate response, such as business continuity planning (BCP).

In regard to the building and operation of risk management systems, the appropriateness of operations is verified through the implementation of internal audits by the Group Internal Audit.

Compliance

The Kirin Group defines compliance as "fulfilling both legal and ethical responsibilities that society expects from us by adhering to laws, internal and external regulations and rules, and social norms, so that the Kirin Group can avoid the risk of suffering unexpected financial loss or of destroying its credibility and can retain and strengthen the trust of stakeholders."

To enhance compliance throughout the entire Group, we have formulated the Kirin Group Compliance Guidelines, which are our basic policies. We are continually advancing these guidelines by incorporating them into the activities of each of the Group's organizations. To ensure that we can respond appropriately to changes in society, the compliance guidelines were prepared with reference to international guidelines, such as the United Nations Global Compact. In addition, we implement compliance-related training for employees, and we also ask our suppliers and other business partners to understand the importance of compliance and to act accordingly.

Group Environmental Management System

Our environmental strategy is underpinned by our environmental management system, which has been crystallized in the Principle for Kirin Group Global Environmental Management (KGEMP). The position of overall environmental director for the Group is filled by a senior executive officer at Kirin Holdings, and an environmental manager has been assigned to the environmental management division of each Group company. Our initiatives to strengthen governance include managing the progress toward the environmental targets in our management plans in line with our environmental policy, environmental risk and compliance management, education and training, and internal auditing.

We have positioned environmental risk as a component addressed by integrated risk management. In the event that environmental risks may arise, under the leadership of the executive officer in charge of risk, relevant departments will work together without delay to share information, implement countermeasures, and prevent recurrence, and will also involve other departments before similar events happen elsewhere. In these ways, we will work to verify and address the problem.

Directors and Audit & Supervisory Board Members

(As of April 1, 2016)



1. Katsunori Nagayasu
Outside Director

2. Junichi Nonaka
Director of the Board,
Senior Executive Officer

3. Toshiya Miyoshi
Director of the Board,
Senior Executive Officer

4. Akihiro Ito
Director of the Board,
Senior Executive Officer
& CFO

5. Kimie Iwata
Outside Director

6. Toshio Arima
Outside Director

7. Yoshinori Isozaki
President & CEO



- | | | | | |
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| 8. Masahito Suzuki
Standing Audit &
Supervisory Board Member | 9. Motoyasu Ishihara
Standing Audit &
Supervisory Board Member | 10. Masakatsu Mori
Outside Audit &
Supervisory Board Member | 11. Chieko Matsuda
Outside Audit &
Supervisory Board Member | 12. Fukutaka Hashimoto
Outside Audit &
Supervisory Board Member |
| 13. Keisuke Nishimura
Representative Director of the
Board, Senior Executive Officer | | 14. Shoshi Arakawa
Outside Director | | |

Directors, Audit & Supervisory Board Members, and Executive Officers

(As of April 1, 2016)

Directors



Yoshinori Isozaki

President & CEO

- 1977 Joined the Company
- 2004 Director of San Miguel Corporation
- 2007 General Manager of Corporate Planning Dept. of the Company
- 2008 Executive Officer and General Manager of Corporate Planning Dept. of the Company
- 2009 Senior Executive Officer and General Manager of Corporate Planning Dept. of the Company
- 2010 Managing Director of the Company (retired in March 2012)
- 2012 Representative Director and President & CEO of Kirin Brewery Company, Limited (retired in January 2015)
- 2013 Representative Director and President & CEO of Kirin Company, Limited (current position)
- 2015 President & CEO of the Company (current position)



Keisuke Nishimura

Representative Director of the Board,
Senior Executive Officer

- 1980 Joined the Company
- 2009 Director and Executive Vice President of San Miguel Brewery Inc.
- 2011 Director of San Miguel Brewery Inc. (current position), Executive Officer and General Manager of Strategy Planning Dept. of the Company
- 2012 Director of the Company, Director of China Resources Kirin Beverages (Greater China) Company, Limited (current position)
- 2014 Managing Director of the Company
- 2015 Representative Director of the Board, Senior Executive Officer of the Company (current position), Director and Vice Chairman of Myanmar Brewery Limited
- 2016 Director of Myanmar Brewery Limited (current position)



Akihiro Ito

Director of the Board, Senior Executive Officer & CFO

- 1983 Joined the Company
- 2013 Executive Officer of the Company and Director of Group Finance of the Company
- 2014 Director of the Company, Director of Kirin Company, Limited, Director of Lion Pty Ltd.
- 2015 Director of Kyowa Hakko Kirin Co., Ltd. (current position), Director of the Board, Senior Executive Officer of the Company (current position), Senior Executive Officer of Kirin Company, Limited (current position), Director of Kirin Business System Company, Limited (current position)
- 2016 Director of Brazil Kirin (current position)



Junichi Nonaka

Director of the Board, Senior Executive Officer

- 1978 Joined the Company
- 2010 Executive Officer and General Manager of Technology Development Dept. of Production Div. of Kirin Brewery Company, Limited
- 2011 Executive Officer and General Manager of Yokohama Plant of Production Div. of Kirin Brewery Company, Limited
- 2013 Senior Executive Officer and General Manager of Research & Development Div. of Kirin Company, Limited (current position)
- 2015 Director of the Board, Senior Executive Officer of the Company (current position), Director of Lion Pty Ltd. (current position)



Toshiya Miyoshi

Director of the Board, Senior Executive Officer

- 1982 Joined the Company
- 2013 Executive Officer and Director of Group Personnel & General Affairs of the Company, Executive Officer and General Manager of Personnel Dept. of Kirin Company, Limited
- 2014 Senior Executive Officer and Director of Group Personnel & General Affairs of the Company, Senior Executive Officer and General Manager of Personnel Dept. of Kirin Company, Limited
- 2015 Director of the Board, Senior Executive Officer of the Company (current position), Senior Executive Officer of Kirin Company, Limited (current position), Director of San Miguel Brewery Inc. (current position)



Toshio Arima
Director of the Board*1

1967 Joined Fuji Xerox Co., Ltd.
2002 President and Representative Director of Fuji Xerox Co., Ltd.
2006 Director of FUJIFILM Holdings Corporation
2011 Outside Director of the Company (current position)
2012 Executive Advisor of Fuji Xerox Co., Ltd. (current position)



Shoshi Arakawa
Director of the Board*1

1968 Joined Bridgestone Corporation
2006 CEO and President, Representative Board Member of Bridgestone Corporation
2012 Chairman of the Board of Bridgestone Corporation
2013 Advisor of Bridgestone Corporation (current position)
2015 Outside Director of the Company (current position)



Kimie Iwata
Director of the Board*1

1971 Joined the Ministry of Labour of Shiseido Company, Limited
2004 Director and Corporate Officer of Shiseido Company, Limited
2008 Director and Executive Vice President of Shiseido Company, Limited
2012 Outside Audit & Supervisory Board Member of the Company, Advisor of Shiseido Company, Limited (current position)
2016 Outside Director of the Company (current position)



Katsunori Nagayasu
Director of the Board*1

1970 Joined The Mitsubishi Bank, Limited
2008 Representative Director, President of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
2012 Representative Director, Chairman of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
2016 Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current position)
Outside Director of the Company (current position)

*1. Outside director as stipulated in the Corporate Law 2-15

Audit & Supervisory Board Members



Masahito Suzuki
Standing Audit & Supervisory Board Member

1980 Joined the Company
2008 Executive Officer and General Manager of Corporate Planning Dept. of Kirin Beverage Company, Limited
2009 Director and General Manager of Corporate Planning Dept. of Kirin Beverage Company, Limited
2012 Director of the Company, Director of Lion Pty Ltd.
2013 Director of Kirin Company, Limited
2014 Standing Audit & Supervisory Board Member of the Company (current position), Audit & Supervisory Board Member of Kirin Company, Limited (current position)



Motoyasu Ishihara
Standing Audit & Supervisory Board Member

1981 Joined Kirin-Seagram Co., Ltd. (Currently, Kirin Distillery Co., Ltd.)
2013 Executive Officer and Director of Group Internal Audit of the Company, Executive Officer and General Manager of Internal Audit Dept. of Kirin Company, Limited
2015 Outside Corporate Auditor of Kyowa Hakko Kirin Co., Ltd., Standing Audit & Supervisory Board Member of the Company (current position)
2016 Auditor of Kyowa Hakko Kirin Co., Ltd. (current position)



Fukutaka Hashimoto
Outside Audit & Supervisory Board Member*2

1979 Registered attorney-at-law at Tokyo Hatchobori Law Office (current position)
2014 Outside Audit & Supervisory Board Member of the Company (current position)



Masakatsu Mori
Outside Audit & Supervisory Board Member*2

1969 Joined Arthur Andersen, LLP
1995 Japan Representative of Andersen Consulting (Current Accenture Japan Ltd.)
2013 Vice Chairman of International University of Japan (current position)
2015 Outside Audit & Supervisory Board Member of the Company (current position)



Chieko Matsuda
Outside Audit & Supervisory Board Member*2

1987 Joined The Long-Term Credit Bank of Japan, Limited
2006 Representative Director of Matrix, Inc.
2011 Professor of School of Business Administration, Department of Urban Liberal Arts at Tokyo Metropolitan University (current position), Professor of Department of Business Administration, Social Sciences at Tokyo Metropolitan University (Graduate School) (current position)
2016 Outside Audit & Supervisory Board Member of the Company (current position)

*2. Outside Audit & Supervisory Board Member as stipulated in the Corporate Law 2-16

Executive Officers



Hiroshi Ogawa
Senior Executive Officer

Director of the Board, Senior Executive Vice President of Kirin Company, Limited



Seiichi Hashimoto
Senior Executive Officer

Director of the Board, Senior Executive Officer, President of CSV Div. of Kirin Company, Limited



Yasuyuki Ishii
Senior Executive Officer

Director of the Board, Senior Executive Officer of Kirin Company, Limited and Senior Executive Officer, President of Production Div. of Kirin Beverage Company, Limited



Ryosuke Mizouchi
Senior Executive Officer

Director of Brasil Kirin Holdings S.A.



Takeshi Minakata
Senior Executive Officer

President and Representative Director of Myanmar Brewery Limited



Teruyuki Daino
Senior Executive Officer

Director of Corporate Strategy of the Company, Senior Executive Officer and General Manager of Management Planning Department of Kirin Company, Limited

VERIFYING KIRIN'S FOUNDATIONS FOR VALUE CREATION

Fundamental Approach to Strengthening the Foundations for Value Creation

The Kirin Group's long-term management vision, New KV2021, spells out Kirin's distinctive approach to CSV, which entails the creation of both social value and economic value.

The Kirin Group thinks of value creation as the cultivation of a deep understanding of what customers truly want and the provision of experiences that enable customers to enjoy surprise, comfort, and happiness. Value creation also contributes to the resolution of social issues. Accordingly, the Kirin Group is focusing on measures to strengthen and enhance its business foundation, which are an indispensable part of ensuring that the Group can continue to implement value creation initiatives.

1. Technology (R&D) Foundation

This foundation is important for the development of products with high added value that address latent customer needs as well as well-being and other social issues. Moving forward, Kirin will work to further strengthen this foundation through enhanced cooperation among the alcoholic beverages, non-alcoholic beverages, and pharmaceuticals and bio-chemicals businesses.

2. Supply Chain Management (SCM) Foundation

This business foundation enables the stable operation of the Group's businesses and the sustained creation of value. With integrated activities extending from procurement to manufacturing and distribution, the Group provides customers with a steady supply of safe, secure products.

3. Human Resources Foundation

It is outstanding employees that support the sustained growth of the Group, including the technology (R&D) and SCM foundations. Accordingly, the Kirin Group is working in the areas of human resources development, promotion of diversity, and achievement of work-life balance.

Moreover, in addition to strengthening and enhancing its business foundations, the Kirin Group is aggressively taking steps to address social issues related to its businesses, including reducing environmental burdens and improving alcohol-related problems. In these ways, Kirin is aiming to maintain harmonious relationships with its stakeholders over the long term and to achieve sustainability for society and for the Group.





Participation in the United Nations Global Compact

The United Nations Global Compact (GC) is a voluntary, global initiative for companies committed to exercising creative leadership for maintaining responsible business practices and sustainability. The GC asks participating businesses to accept, support, and practice 10 universally accepted principles outlined in the areas of human rights, labor, the environment, and anti-corruption.

The Kirin Group announced its participation in the GC in September 2005, and has since been working to align its employee relationships and its business operations ranging from procurement and R&D to manufacturing and marketing with these principles.

In promoting specific activities, the Group will implement a PDCA cycle, with reference to the GC's 10 principles and to the sustainable development goals (SDGs), which were ratified in September 2015.

Moreover, Kirin Group employees participate in working groups, which are organized by theme in the Global Compact Network Japan, and discuss common issues with representatives of other member companies.



SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



Yasuhisa Iijima
President & CEO of Kirin Holdings

The Kirin Group signed the GC and carries out its social responsibility through its corporate activities worldwide.

Based on the GC's 10 principles in the areas of human rights, labor, the environment, and anti-corruption, we have determined key themes, and we are advancing initiatives targeting the realization of sustainability for society and companies.

All Group companies conducting business anywhere in the world are required to address these themes in a manner appropriate to the characteristics of each region. Moving forward, everyone at the Kirin Group will work together on issues shared around the world, including those covered by the GC's 10 principles.

Management Issues for Sustainable Growth

(Group Materiality Matrix)

Materiality Selection Procedures

Issues are identified based on GRI, SASB, and other reporting guidelines and on FTSE, MSCI, Sustainalytics, and other ESG ratings' evaluation items.



With consideration for the viewpoints of diverse stakeholders, the materiality matrix for major Group companies is organized by item and plotted for the Group.

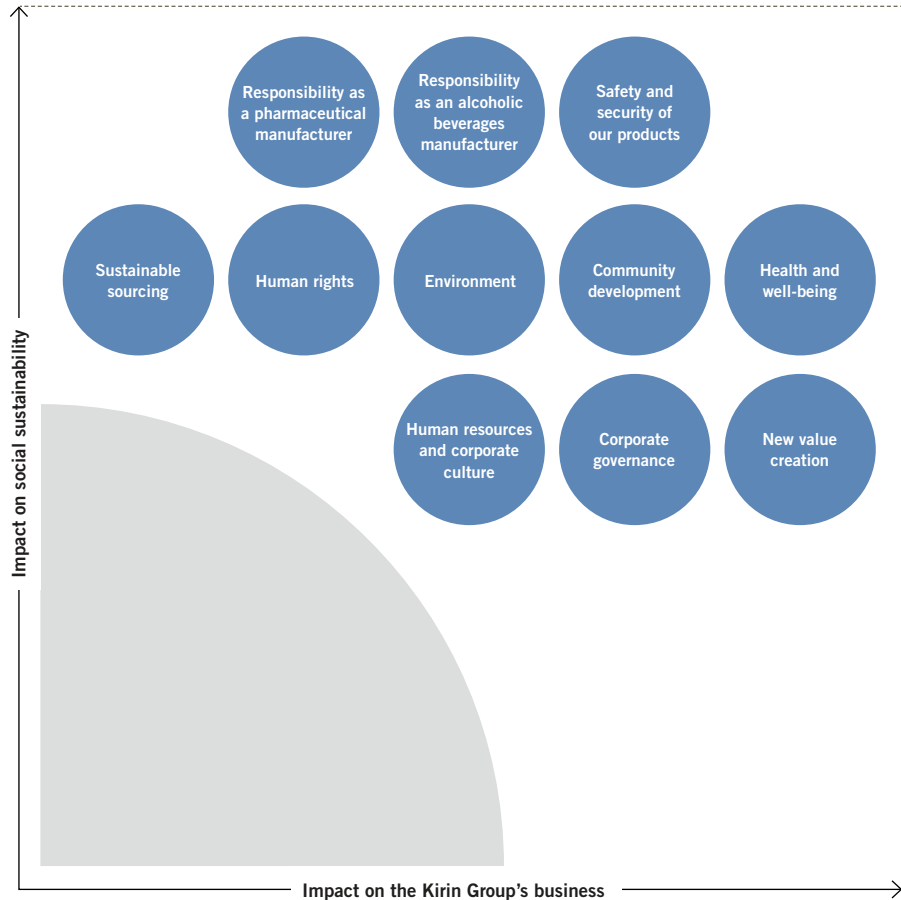
Implementation of stakeholder engagement (under consideration)



The Group CSV Committee assigns priorities to each of the issues faced by the Group.



Themes that are especially important are addressed on a Groupwide basis and are reviewed by the Group CSV Committee in the following year. Items are also revised as necessary.



Management Issues for the Sustainable Growth of the Kirin Group

In formulating the New KV2021 long-term management vision, the Group identified management issues for the sustained growth of the Kirin Group as important themes for the long-term sustainability and development of the Kirin Group and of society.

The Group identified issues that will have a major influence on corporate value over the medium to long term, and

assessed the importance of each issue from the viewpoints of impact on the sustainability of society and impact on the Group's business. Subsequently, the issues will be discussed by the Group CSV Committee, and priority themes will be formulated on a Groupwide basis.

Moving forward, the Group will work to foster opportunities to receive feedback from society, such as engagement with stakeholders, and will build a framework for continual reevaluation.

Items Included in Management Issues for Sustainable Growth

- **Health and well-being** — Promoting customer's health / Promoting safe and comfortable workplaces
- **Safety and security of our products** — Product and service safety / Responsible marketing and appropriate information provision
- **Responsibility as an alcoholic beverages manufacturer** — Addressing alcohol-related problems
- **Responsibility as a pharmaceutical manufacturer** — Stable supply of products and services / Transparent relationships with medical institutions and others
- **Human rights** — Initiatives to address human rights problems
- **Sustainable sourcing** — Promoting responsible procurement / Sustainable raw materials supply
- **Community development** — Revitalizing regional economies and communities through business / Job creation
- **Environment** — Water resources / Waste and pollution / Container and packaging / Global warming / Biological resources
- **Human resources and corporate culture** — Embracing diversity and inclusion / Development of human resources, open and accommodating organizational culture
- **New value creation** — Product and service innovation corresponding to change in communities and customers
- **Corporate governance** — Governance and transparency / Risk management / Compliance

Group CSV Committee

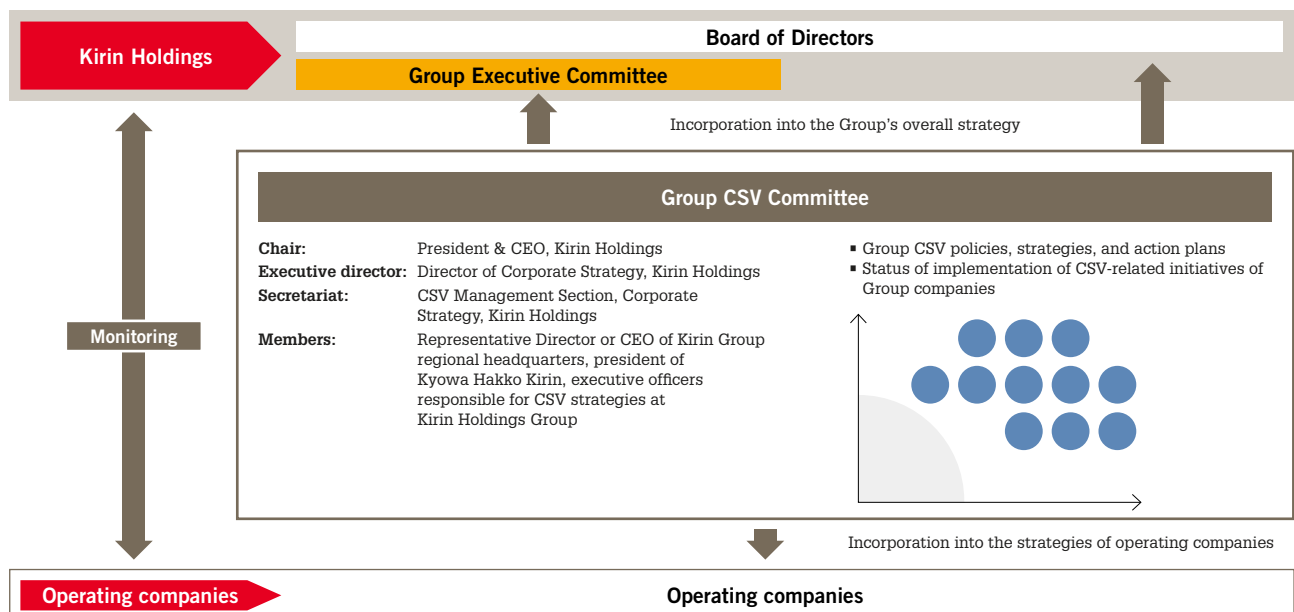
To support the Kirin Group's proactive and independent CSV initiatives, the Group CSV Committee meets once a year in principle, with the meeting chaired by the president & CEO of Kirin Holdings.

The presidents of major operating companies* are also members of the committee, which conducts discussions regarding the formulation of optimal Group CSV policies and strategies as well as action plans. In addition, the committee monitors the status of the implementation of CSV promotion plans.

The details of the decisions made by the Group CSV Committee are, as needed, reported to and discussed by the Kirin Holdings Group Executive Committee and the

Kirin Holdings Board of Directors and reflected in the Group's overall strategies. The committee chair provides instructions for improvement that are considered necessary for CSV promotion. These instructions are provided to departments at Kirin Holdings and to Group companies. This increases the effectiveness of CSV policies and strategies determined by the committee. The Kirin Holdings CSV Management Section, which serves as the secretariat for the committee, will take steps to provide support for operating companies and lead units, such as providing CSV-related information and sharing the CSV-related initiatives of Group companies.

* Kirin Brewery, Kirin Beverage, Mercian, Lion, Brasil Kirin, Myanmar Brewery, Kyowa Hakko Kirin



Technology (R&D) Foundation



JUNICHI NONAKA
Executive officer in charge of
R&D strategy

The Role of the Technology (R&D) Foundation and the Direction of Measures to Strengthen It

Over the past 120 years, the Company has been leveraging its technical expertise and making proposals to customers for products with a wide range of added value. Drawing on the fermentation technologies, biotechnologies, and mass production technologies cultivated in the beer business, Kirin advanced into the pharmaceuticals business, and subsequently implemented a merger with Kyowa Hakko to create Kyowa Hakko Kirin as a member of the Kirin Group. In these ways, the Group has developed a broadly based technical expertise.

Under the MTBP, which was launched in 2016, we will address health and other social issues through our core businesses—alcoholic beverages, non-alcoholic beverages, and pharmaceuticals and bio-chemicals. By creating new value in this way, we will aim to achieve sustained growth in tandem with society.

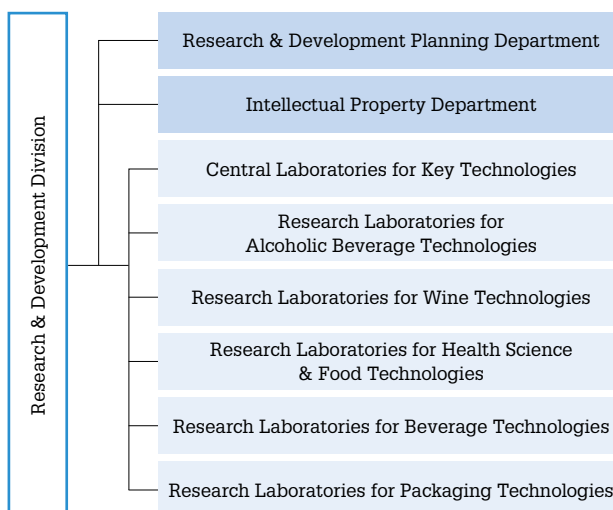
To that end, we will foster further collaboration between the alcoholic and non-alcoholic beverages business and the pharmaceuticals and bio-chemicals business. By combining the technologies possessed by each business, we will strive to accelerate the creation of new value. In addition, to facilitate the development, application, and commercialization of promising technologies, we will further step up the active utilization of open innovation.

We will take on the challenge of addressing social issues and the expectations of customers while leveraging the technical expertise that is the strength of the Kirin Group.

Kirin's R&D

The Research & Development Division includes six laboratories that handle work ranging from basic research and applied research to technical development. In addition, the division also includes the Research & Development Planning Department, which plans and promotes R&D, and the Intellectual Property Department, which supports development operations through the acquisition and utilization of intellectual property. The Research & Development Division conducts R&D while working in a unified manner to foster close cooperation with other divisions and Group companies. In the three fields of taste and quality, health, and the environment, the division aims to create new value that will lead to better products and services.

Organization Chart of R&D Division



Kyowa Hakko Kirin's R&D

In an environment marked by dramatic change and difficulty forecasting the future, Kyowa Hakko Kirin is implementing a range of initiatives to fulfill its mission and to build its presence as a global specialty pharmaceutical company.

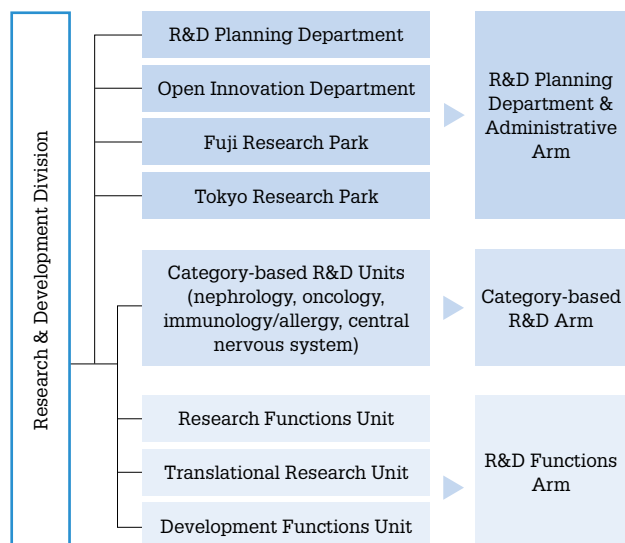
In accordance with its medium- to long-term strategy, Kyowa Hakko Kirin is working to maximize its strengths by establishing a global organization, developing and utilizing diverse human resources, and thoroughly implementing category strategies.

Moving forward, Kyowa Hakko Kirin will aim to further advance the independence and coordination of the category and function-based organization that are distinctive features of the Research & Development Division, to launch three global strategic products, and to discover compounds in the development pipeline. Through these initiatives, Kyowa Hakko Kirin will cultivate strengths in technologies and disease areas. Leveraging these strengths, Kyowa Hakko Kirin will expand the pipeline so that it maintains its value even under evolving medical treatment systems 5 and 10 years in the future. In this way, Kyowa Hakko Kirin will continue to take on the challenge of new innovation.

Group Collaborative Initiatives

By combining the technologies, materials, and know-how that Group companies have cultivated in the areas of alcoholic beverages, non-alcoholic beverages, and pharmaceuticals and bio-chemicals, we are aiming to create new value, concentrating on the field of well-being. In this way, we are establishing environments for the promotion of open innovation within the Group. We hold Groupwide exchange meetings in which researchers can freely share ideas with one another and cross-over themes can be promoted, as well as periodic meetings for the sharing and announcement of research results. In addition, we are also working in a proactive manner to utilize and develop R&D personnel through human resources exchanges within the Group. Moving forward, we will further strengthen these initiatives to foster the spirit of taking on new challenges.

Organization Chart of Research & Development Division



CSV
Activities

Initiatives to Increase Sustainability

1. Decaffeination Technology—*Kirin Caffeine Zero Namacha*

This patented caffeine-free manufacturing process, which has been developed independently by Kirin and granted as a patent, is a technology for the selective adsorption and removal of caffeine in green tea while maintaining the tea's taste. This technology is used for *Kirin Caffeine Zero Namacha*, the world's first* bottled green tea beverage to be caffeine free. In addition, this technology has also been used for the *Kirin Gogo-no-Kocha* brand. In this way, this technology is contributing to the creation of products that can be consumed with peace of mind by pregnant women and nursing mothers, small children, and seniors.

* Green tea beverage in a plastic bottle with less than 0.001g of caffeine per 100ml; SVP Japan Co., Ltd., research; February 2014



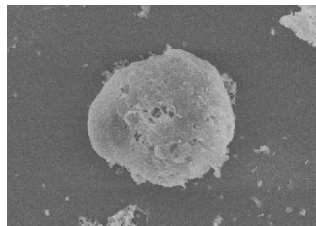
2. DLC Coating Technology

Diamond-like carbon (DLC) coating technology, which was developed independently by Kirin, reduces the oxygen permeability of containers by coating the internal surface of PET bottles with a thin layer of carbon. Applying DLC technology to PET bottles for wine results in significant reductions in weight in comparison with glass containers while maintaining product quality. This leads to reduced CO₂ emissions during manufacturing and distribution. This feature, combined with the ability to recycle the caps and bottles, makes a significant contribution to reducing the environmental burden.



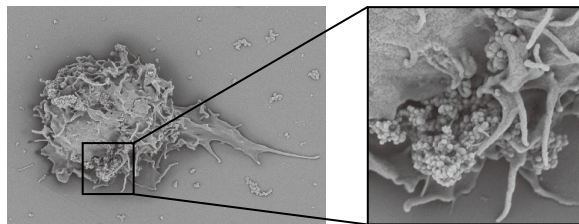
3. Discovery and Commercialization of an Immune-Enhancing Strain of Lactic Acid Bacteria: *Lactococcus Plasma*

Research groups at Kirin and Koiwai Dairy Products discovered *Lactococcus lactis* JCM5805 (designated as "Lactococcus Plasma"), a strain of lactic acid bacteria that activates plasmacytoid dendritic cells (pDCs), which enhance immunity against viral infections. In addition, we conducted an oral intake experiment using healthy people in winter and confirmed that the ingestion of Lactococcus Plasma significantly reduced cold and influenza-like symptoms. These research efforts, along with our commercial applications in a variety of products, including yogurt, non-alcoholic beverages, and supplements, have been highly evaluated by the Japan Society for Bioscience, Biotechnology, and Agrochemistry (JSBBA). We received the JSBBA Award for Achievement in Technological Research in 2016.



Unactivated pDCs

↓ Activation by *Lactococcus Plasma*



Activated pDCs catch viruses

(Enlarged)

SCM Foundation



YASUYUKI ISHII
Executive officer in charge of
SCM strategy

The Role of the SCM Foundation and the Direction of Measures to Strengthen It

An efficient SCM foundation is essential to the stable operation of the Kirin Group's businesses and to the continued creation of value.

At Kirin Company, the manufacturing departments, plants, and distribution departments of the operating companies work closely together to provide customers with a steady supply of safe, secure products at low cost. In addition to the technologies and know-how that we have cultivated, we are aggressively introducing new technologies and facilities. In this way, we are working to create new value. In particular, in the midst of a shift toward customers enjoying products in individual ways, it is necessary to provide a diverse array of products and services, and the establishment of SCM for that purpose has become an important task.

In addition, in recent years the operating environment in the pharmaceutical industry has changed dramatically. To respond to the Japanese government's measures to control healthcare expenditures, the reevaluation of manufacturing costs has become a necessity. At Kyowa Hakko Kirin, a reorganization of manufacturing bases is currently under way, and through this initiative, Kyowa Hakko Kirin will strengthen its cost competitiveness by achieving increased efficiency in manufacturing and a high GMP* level. In addition, Kyowa Hakko Kirin will continue working to enhance manufacturing technologies and will maintain and improve its competitive advantage.

* Good Manufacturing Practice (standards for manufacturing management and quality management for pharmaceuticals, etc.)

Production

Developing New Technologies and Introducing Facilities to Achieve Small-Lot Production of a Wide Range of Products

In recent years, customer preferences in the beer market have diversified, and there is an increased need for beers that enable greater enjoyment of individuality by reflecting varying tastes and different ideas from brewers. In response to these trends, Kirin Brewery is moving ahead with the development and introduction of new technology that will enable small-lot production of a wide range of products. For example, progress is being made with the utilization of cross-flow filtration equipment. In comparison with conventional diatomaceous earth filtration equipment, when switching between types of beer cross-flow filtering limits inefficiency as well as the generation of waste. In this way, Kirin Brewery is building a system that can handle not only the production of established products

such as *Ichiban Shibori* beer but also the low-cost, timely manufacturing of diverse products in the amounts needed. In addition, in 2014 we established Kirin Innovation Factory Yokohama, which has small-scale, wide variety brewing facilities, at the Yokohama Plant. In 2015, in Daikanyama, Tokyo, we opened SPRING VALLEY BREWERY TOKYO, which combines a brewery and a restaurant. These facilities are contributing to the creation of diverse value that is not limited to existing beers, such as craft beers and cider.



SCM Foundation

Reducing Costs through the Aggressive Introduction of New Production Technologies

Kirin Beverage continues working to reduce costs, including the costs of packaging materials. These efforts are centered on PET bottle products, which account for 70% of Kirin Beverage's sales. For example, Kirin Beverage was a leader in making its own PET bottles. In 1997, Japan's first in-line PET bottle aseptic blow-fill equipment was introduced at the Matsumoto plant of Nagano Tomato (currently, Shinshu Beverage Company). In addition, in 2000 high-speed in-line PET bottle aseptic blow-fill equipment was introduced at the Kirin Beverage Shonan plant. In this way, we achieved cost reductions through mass production.

Moreover, to achieve further reductions in the cost of packaging materials, steps were taken to conduct in-house manufacturing of the preform used to form PET bottles. In 2003, an industry first was achieved with the introduction of preform molding machinery on a beverage production line at Kirin Distillery.

Moving forward, through the aggressive introduction of new production technologies, we will strive to reinforce our cost competitiveness and increase corporate value.



Generating Group Synergies

Each year, top management of the technical departments of Group companies, such as Kirin Holdings, Kirin Company, Lion, and Brasil Kirin, gather for the meeting of the Supply Chain & Technical Committee, where they discuss collaboration among a wide range of fields related to SCM, including R&D, engineering, quality assurance, environmental technologies, and production technologies. At these meetings, examples of successful initiatives are shared, and the committee discusses and makes decisions regarding Groupwide themes addressed through working groups in each field. In these ways, we are working to generate Group synergies.

Moreover, each year we hold the Global Seeds and Needs Forum to foster the utilization of Kirin Company's advanced R&D functions at Group companies. The members of Kirin Company's R&D department directly visit operating companies in each region and match the technology seeds of Kirin Company to the needs of the local operating companies. In this way, we are working to accelerate the growth of each company.



Engineering that Supports the Manufacturing Foundation

Kirin Engineering is a company that handles the construction of plants and the installation, expansion, and repair of manufacturing facilities. Kirin Engineering has special strengths in food and pharmaceutical plants. In addition, Kirin Engineering is also leveraging these strengths to implement business initiatives outside the Group in the food, pharmaceutical, and biotechnology industries. Kirin Engineering has developed a workforce of engineers in a variety of fields. These engineers have acquired experience and technologies in plant construction and repair in Japan, and now they are expanding their activities to overseas regions. Engineering that leverages specialized technologies cultivated through a wide range of projects and the perspective of users supports Kirin's initiatives to maintain and strengthen the SCM foundation and contributes to the creation of value that addresses the needs of customers.

Procurement

Basic Procurement Policies of the Kirin Group

The Kirin Group conducts procurement activities in accordance with five basic policies: (1) Steady focus on quality, (2) Fair and open business transactions, (3) Compliance, (4) Environmental stewardship, and (5) Relationships of mutual trust and influence with suppliers.

QCD + Sustainable Procurement

In conducting its procurement activities in the alcoholic beverages, non-alcoholic beverages, foods, and pharmaceuticals and bio-chemicals businesses, the Kirin Group's objectives are Q (quality), C (cost), and D (delivery) + sustainable procurement.

The alcoholic beverages, non-alcoholic beverages, and food businesses use nature's bounty as raw materials, centered on agricultural products. Accordingly, these businesses are directly affected by changes in harvest amounts stemming from climate change and by fluctuations in market prices resulting from changes in the supply-demand balance. Consequently, we are working to maintain a stable supply chain while collaborating with suppliers so that we can steadily provide safe, secure products at optimal prices.

For example, we procure malt, which is a primary ingredient of beer, from three continents—North America, Europe, and Australia. In addition, we are coordinating procurement measures to ensure that we can acquire the required amounts of materials and to minimize the influence of market prices. For example, we are utilizing long-term contracts with producers of hops.

CSR Procurement

For major suppliers (approximately 75% of total procurement amount), each year we implement a survey regarding society's demands and expectations for the supply chain. We ask suppliers to submit a "Supplier CSR Confirmation," and to follow compliance. Moreover, to ensure fair business practices, we conduct a supplier satisfaction survey each year to receive feedback about the Kirin Group's procurement activities. Moving forward, we will strive to implement open, fair transactions through two-way communication.

Through these activities, while implementing a PDCA cycle we will continuously cooperate with suppliers and work to further promote CSR procurement efforts.

Group Joint Procurement

Since 2010, the Kirin Group has consolidated the procurement functions of Kirin Brewery, Kirin Beverage, Mercian, and other companies in the Japan Integrated Beverages Business, including raw materials, packaging materials, sales materials, general materials, equipment, and media. These initiatives have achieved reductions in costs and increases in efficiency. In 2015, we commenced initiatives targeting joint procurement in the pharmaceuticals and bio-chemicals business. Furthermore, overseas we are collaborating on a global level with subsidiaries in Oceania and Brazil, with implementation starting from the establishment of procurement strategies. We are working to maximize the Group's corporate value through the joint procurement of malt, which is a primary ingredient of beer, and other commonly used items, and through the mutual sharing of best practices.



Quality Assurance

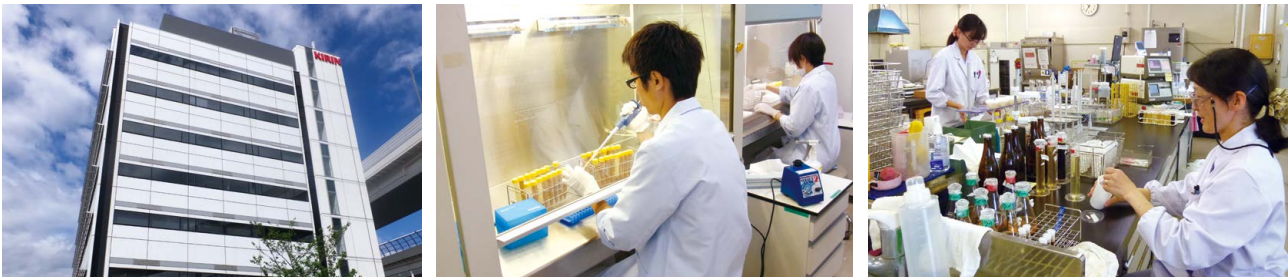
Quality Assurance in the Supply Chain

In accordance with quality policies that prioritize safety and customer satisfaction, the Kirin Group is promoting quality management that is responsive to the distinctive characters of the Group's businesses, which extend around the world, and to the characteristics and needs of various regions.

The final quality of products and services is assured by departments that are independent from the supply chain. For the Japan Integrated Beverages Business, we are consolidating analysis and testing operations at the Integrated

Beverage Analysis Center of Kirin Company's Quality Assurance Department.

Working closely with the supply chain, the Integrated Beverage Analysis Center works to secure the safety and security of products and services, which form the foundation of value creation. These include raw material acceptance inspections and product analyses as well as development assessments for new products and new production technologies, investigations based on inquiries from customers, and quality assessments for sales promotion materials.



CSV Activities

Initiatives to Increase Sustainability

Mercian's Initiatives

Expanding Fields Managed In-House, Implementing Continued Procurement of Grapes Produced in Japan

Aiming to support the growth and development of Japanese wines through *Chateau Mercian*, in July 2015 Mercian began leasing farmland in the Kataoka district of Shiojiri City, Nagano Prefecture, in order to expand self-managed vineyards. Based on the concepts of appropriate land and appropriate varieties, since the 1970s Mercian has leveraged the grape cultivation and wine-making know-how cultivated through *Chateau Mercian*. Mercian has pursued the distinctive quality and characteristics of Japanese wine so that Japan will become a world-class wine-producing region. In these ways, Mercian has worked to achieve long-term growth. Plans call for grape planting to begin in the spring of 2017 and for the development of a mature vineyard in 2023.

Mercian will conduct testing initiatives that can only be implemented on self-managed vineyards, acquire know-how in regard to grape cultivation, and provide

feedback for cultivators working under contract. In addition, in consideration of the agricultural problems of an aging workforce and people choosing to give up farming, Mercian will explore a new form of agriculture with grapes cultivated by corporations.



Addressing Alcohol-Related Problems

We consider alcohol-related problems (ARPs) to be at odds with the Kirin Group's identity statement of "redefining the joy of food and well-being." As a socially responsible corporate group that manufactures and markets alcoholic beverages, the Kirin Group addresses ARPs head-on and provides practical solutions. Including the establishment of the basic policy and action guidelines, our activities to tackle ARPs range from raising public awareness about responsible drinking to defining and enforcing stringent voluntary standards on alcohol advertising and promotion activities.

Since the enforcement in Japan of the "Basic Act on Measures to Prevent Damage to Health Due to Alcohol" in June 2014, related parties have collaborated to formulate a basic plan for the prevention of alcohol-related social problems and health issues resulting from the inappropriate use of alcoholic beverages. This plan stipulates that companies that manufacture and market alcoholic beverages have an obligation to cooperate in countermeasure activities instituted by national and regional public institutions and, in their business activities, to act with consideration for the prevention of the occurrence, progress, and recurrence of alcohol-related health problems. Accordingly, the Kirin Group will step up the rigorous implementation and reinforcement of the voluntary advertising standards that it has implemented to date. We will also implement initiatives to eliminate drunk driving accidents through the "Steering Wheel Keeper" campaign and to prevent alcohol consumption by underage consumers, pregnant women, and nursing mothers.

The Kirin Group also cooperates with trade associations in alcohol industries and governments around the world in formulating measures for reducing harmful drinking, including those specific to individual countries and regions. In 2015, we joined the IARD,* an international industry organization. From a global viewpoint, we are working on a Groupwide basis to advance comprehensive measures for the prevention of the harmful use of alcohol.

* International Alliance for Responsible Drinking



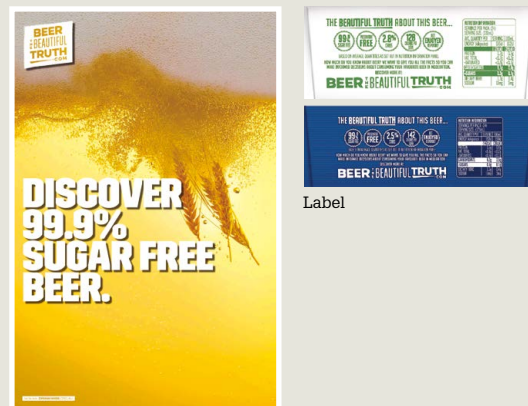
2016 educational poster for responsible drinking created by Kirin

"Beer the Beautiful Truth" Initiatives

In August 2015, Lion announced that it would independently include nutritional information on the bottles and boxes for all of its beer products, thereby marking a first in the Australian beer industry. Currently, Lion includes information useful to customers on its beer products, such as sugar, preservatives, calories (kilojoules), and carbohydrate content.

This initiative was implemented with the support of an independent advisory committee that includes comprehensive care physicians, certified nutritionists, fitness specialists, and beer brewing specialists. In particular, the creation of support sites and alcoholic beverage fact sheets received the support of comprehensive care physicians and nutritionists, and the fact sheets were not only used to provide information to customers online but were also distributed to Australian nutritionists.

These new labels are the first stage in a long-term initiative called the "Beer the Beautiful Truth" campaign, which will address misunderstandings about beer and provide correct information. One of the facts that this campaign will communicate is that Lion's Australian beers do not use preservatives and almost all of its beers have reduced sugar by 99.9%.



Label

Human Resources Foundation



TOSHIYA MIYOSHI
Executive officer in charge of human resources

The Role of the Human Resources Foundation and the Direction of Measures to Strengthen It

Our human resources, which have unlimited potential, support the sustained growth of the Kirin Group and are the Group's most valuable management resource. In the belief that employees and the Company are equal partners, the Kirin Group respects the individuality of its enthusiastic employees (= autonomous individuals) who want to improve themselves through their work, and the Group strives to provide an environment for the further growth and development of these employees.

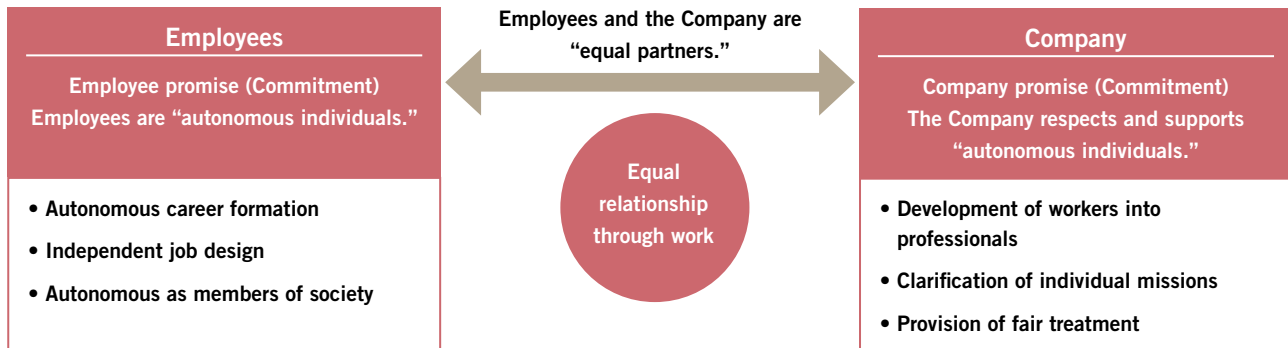
Under the New Kirin Group Vision 2021 (New KV2021), we are aiming to address social issues, understand consumer expectations, and create value. To realize New KV2021, we need to establish an organization that will increase human resources diversity, facilitate the mutual acceptance of differences, and make full use of our various strengths.

So that diverse employees work with enthusiasm, create products and services that draw on Kirin's distinctive strengths, and continue to inspire and surprise customers, we are implementing initiatives in the areas of human resources development, promotion of diversity, and achievement of work-life balance.

Basic Human Resources Principle

Basic Human Resources Principle = Respect for Humanity

We respect the efforts and individuality (humanity) of all employees, who have unlimited potential and naturally continue to grow and develop, and we strive to create an environment in which they can do their best.



Developing Human Resources

Policy on Human Resources Development

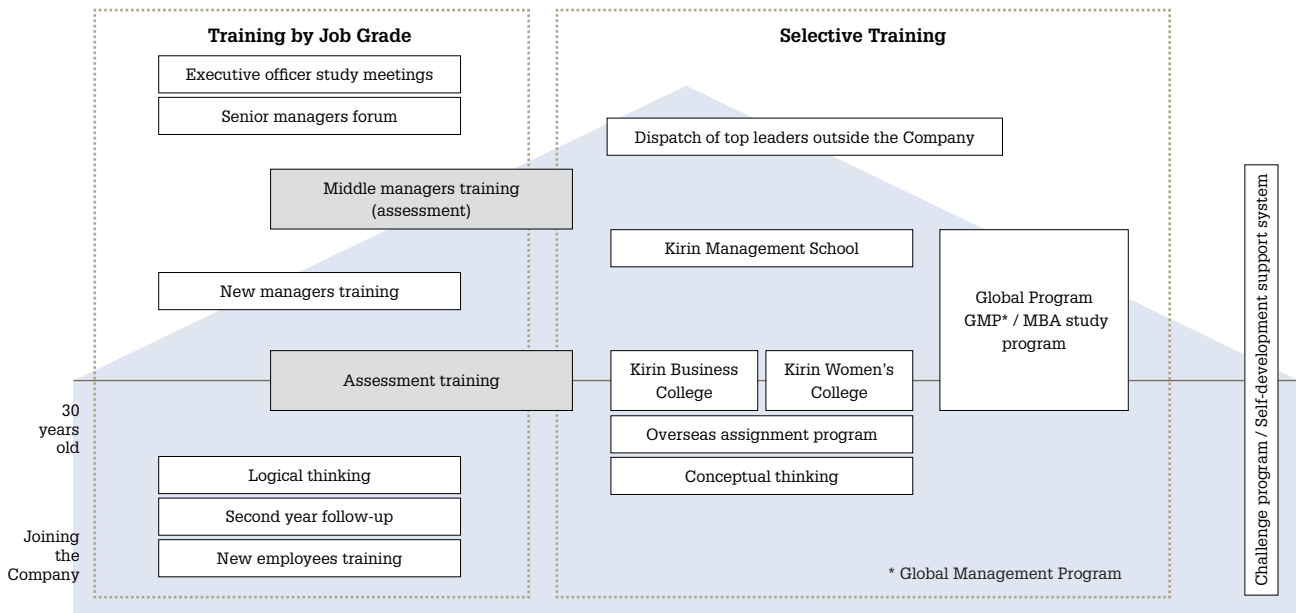
At the Kirin Group, in the belief that it is important to enhance the skills of human resources, who are sources of value creation, our basic human resources principle is respect for humanity, and we continually work to develop human resources. To strengthen our competitiveness in a challenging operating environment and in an era that requires change, we must do our utmost to develop people who will lead the growth of the Group in the future and people who can realize the creation of value linked to our growth strategies.

The Kirin Group's fundamental approach to human resources development is that "people grow through their

work." Our policy for human resources development is to aim for autonomous, enthusiastic self-development by each individual in order to realize management reform. On that basis, we are taking steps to address the three high-priority challenges below.

1. Leaders should have responsibility for the development of their people and implement on-the-job training.
2. Everyone should understand the human resources development system and actively use the system to work toward self-development.
3. People aiming to be management leaders of the future should take steps to develop their capabilities with self-awareness and resolution.

Group Human Resources Development Program



Kirin Management School

The Kirin Management School is an original program developed by Kirin that meets eight times over an eight-month period. The school is designed for managers who are younger than 45, and those selected to the program participate in lectures and case studies, learning not only strategic thinking skills regarding various management concepts but also how to put the knowledge they have acquired into practice. In addition, the program aims to develop future leaders who can effectively initiate management reforms.

Promoting Diversity

Approach to Promoting Diversity

Currently, the Kirin Group employs approximately 40,000 people at bases around the world. An important management challenge that we face is to increase our organizational capabilities (= human resources capabilities × corporate culture) by making full use of the strengths of these diverse human resources. Under the New KV2021, we are aiming for a corporate culture in which all people associated with Kirin Group businesses in global business fields accept each other and in which diversity is leveraged as a strength. Centered on the Diversity Promotion Office, we are working to create a corporate culture and workplaces in which enthusiastic, diverse employees can work energetically and achieve growth through their work, without regard to gender, disability, age, or nationality.

Kirin Holdings draws on diverse viewpoints, including those of women, as a strength of the Company, and our use of those strengths to create new products and value for customers has been highly evaluated. We were selected for the 2013 Diversity Management* Selection 100, a program that is sponsored by the Ministry of Economy, Trade and Industry.



* Diversity management is management that generates innovation and fosters value creation by providing diverse human resources with opportunities to fully leverage their potential.

Promoting Opportunities for Women

In October 2006, the Kirin Group formulated Kirin Positive Action, and the following year the Group established the Kirin Women's Network, an internal organization to actively support women's careers and network formation. We continue to implement both top-down activities, in which the Group creates opportunities and environments that facilitate active careers for women, and bottom-up activities, which support women's self-development and career growth.

More recently, in 2013 we formulated "Promoting Active Participation by Women." Through systematic development and assignments, this plan has expanded career opportunities and advanced promotions for women and developed women's careers in such positions as executive officer, president of Group companies in Japan and

overseas, plant manager (Kirin Brewery), branch manager (Kirin Beer Marketing), and general manager (Kirin).

Moving forward, we will continue working to establish the systems and frameworks needed to ensure that women have active employment opportunities throughout a variety of life events, including marriage and childbirth. In addition, to support their motivation and a focus on continued self-growth, we are working to offer female employees career support, leader development training, and other initiatives.

Long-Term Plan to Promote Female Workers—KWN2021

In comparison with 2013, we have set the goal of tripling the number of female managers to 300 in 2021 (300 people, 12%), and we are working to create a corporate culture that fosters the realization of our vision.



Promoting Diversity at Kyowa Hakko Kirin

To support active careers for diverse employees, Kyowa Hakko Kirin launched the Diversity & Inclusion Project in 2010. Through this project, Companywide working teams have been formed and a variety of issues have been addressed. In July 2013, the Diversity Promotion Group was established in the Human Resources Department to address these issues in an ongoing manner. In these ways, Kyowa Hakko Kirin is working to bolster systems and enhance the working environment.

In addition, Kyowa Hakko Kirin, which believes that it is important for all employees to share common concepts, has promoted awareness of the "Commitment to Life,"* which was formulated at the time of the establishment of Kyowa Hakko Kirin. In 2014–2015, the company held a video contest with the theme of "Commitment to Life."

* http://www.kyowa-kirin.com/about_us/commitment_to_life/original/index.html

Promoting Globalization

The Kirin Group is aggressively advancing the globalization of its operations. To strengthen mutual understanding and cooperation among Group companies around the world, we are working with a wide range of departments to foster international human resources exchanges, as well as the sharing of best practices. These initiatives include a short-term human resources exchange program.

In addition, as one facet of efforts to develop Group managers, we have systematized and rolled out the Global

Program, which develops next-generation leaders with global management viewpoints and advanced management capabilities.

Establishing an Environment with a Focus on Diversity Human Rights Education Initiatives

As initiatives to create a corporate culture in which diverse employees can mutually recognize human rights and work energetically, every year we train all employees on human rights, and we offer executive training sessions on human rights for senior executives—presidents and general managers of Group companies—each year. In this way, we are taking a thorough approach to fostering respect for human rights among managers and employees. We are working with themes that are the focus of considerable attention in society. For example, the most recent human rights training had a theme of understanding LGBT issues.

In addition, we have people in charge of human rights education in each Group company, and we hold study meetings and training for people in charge. In these ways, we are working to increase human rights awareness throughout the Group. Each year we implement a human rights awareness survey to review these initiatives. The results of these surveys, which are used to track changes in employee awareness at each company as well as issues that need to be resolved, are also useful in subsequent initiatives.

Achieving Work-Life Balance

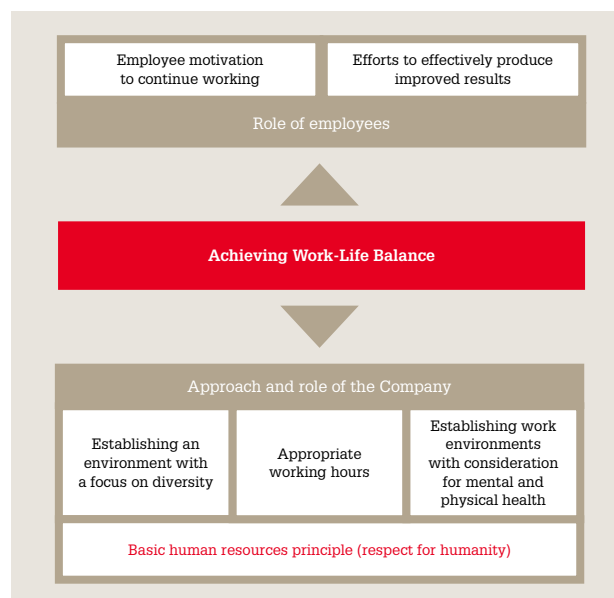
Approach to Work-Life Balance

Work-life balance is an important theme for enabling employees to leverage their independence and creativity and to work with pride and motivation. In April 2010, the Kirin Group formulated its Charter of Work-Life Balance.

The Group works to implement basic measures, such as appropriate working hour management and overtime reduction, on an ongoing basis, and to establish an environment that will be the foundation for work-life balance. In addition, we are establishing a range of systems to facilitate working styles with a balance between work and private lives for all employees, without regard to gender.

Moving forward, we will establish frameworks that enable diverse working styles, including consideration for expanding the application of systems to each Group company. We will strive to support the realization of work-life

balance for each individual employee. The results of these initiatives have been recognized, and the Kurumin next-generation certification mark was acquired by Kirin Brewery and Kirin Beverage in 2007 and by Kyowa Hakko Kirin in 2015.



Establishing Work Environments with Consideration for Mental and Physical Health

Employee Assistance Program (EAP)

The health of employees, who support the growth of the Kirin Group and are the Group's most important management resource, is a critical issue. The Kirin Group introduced the EAP in 2009. Through this program, we are implementing measures to prevent mental health problems, taking steps to foster early discovery and early treatment, and building a highly specialized support system. This program is also handling stress checks, which have been mandatory since December 2015.

Moreover, EAP results are analyzed for each organization, and organizational diagnoses related to work environments and corporate culture are conducted. In these ways, EAP results are linked to sustained growth for people and organizations.

Sustaining the Global Environment for the Next Generation

We strive to increase the sustainability of nature's bounty, ensure stable business operations, and protect the global environment.

The Kirin Group's businesses are directly connected to natural capital. The Group's business operations use nature's bounty in the form of biological resources and water resources as well as containers and packaging for the delivery of products to customers. The CO₂ that is generated in these processes causes global warming, and this has an effect on the agricultural products and water that are the Company's raw materials. Our society is said to be consuming resources in quantities that exceed the earth's supply, and nature's bounty is facing a significant crisis.

Accordingly, the Kirin Group has identified four themes related to environmental issues that are important to our businesses—the sustainable use of water resources, biological resources, and containers & packaging, and action against global warming. We have formulated the Kirin Group Long-Term Environmental Vision, which aims to balance the environmental load produced by the Group's value chain with the earth's capability to supply resources in 2050. To that end, we are advancing initiatives in close cooperation with our stakeholders.

Results

Water Resources

Water intensity in each region (2014 results)

Japan Integrated Beverages

4.96 m³/kL

Lion

2.54 m³/kL

Brasil Kirin

3.70 m³/kL

Biological Resources

Number of Sri Lanka tea growers for which Kirin provided support (as of the end of 2015)

Training

More than 70 growers (Cumulative total)

Acquisition of Rainforest Alliance certification*1

More than 30 growers

Containers and Packaging

Container weight savings

Japan's lightest returnable medium-sized beer bottle

-19% (CO₂ emissions: -19.6%)

Japan's lightest 2L PET bottle

-17% (Annual CO₂ emissions: -3,309t)

Global Warming

CO₂ emissions (as of 2014)

CO₂ emissions from manufacturing, distribution, and office operations in Japan

-55% (From 1990)

CO₂ emissions for entire value chain

-18% (From 1990)

*1. The Rainforest Alliance certification is part of the internationally recognized certification system for sustainable agriculture

Public Recognition

The Kirin Group's environmental activities have received high recognition from the public.

Environmental Communications Awards



At the Environmental Communications Awards, the Kirin Group Environmental Report 2014 won the "Grand Prize (Environment Minister's Award for Environmental Reporting)" (2014). In 2015, Kirin received the "Environmental Reporting Merit Award (Global Environmental Forum Chairman's Award)."

Selected for the CDP*2's Japan 500 A list for two consecutive years



*2. An international not-for-profit organization (NPO) that measures, discloses, manages, and shares important environmental information regarding the greenhouse gas emissions, etc., of companies and cities

For two consecutive years—2014 and 2015—Kirin Holdings was ranked the highest on the CDP Climate Performance Leadership Index and was selected for the A list. In 2015, we also received a perfect score of 100 and were ranked the highest on the Climate Disclosure Leadership Index.

Receipt of highest award at WWF Japan's "Biodiversity Katte-ni Awards"



The Kirin Group received the "Lion's Award" at the WWF Japan "Business & Biodiversity Katte-ni Awards." In addition, Kirin was ranked number one in the food category of the WWF Japan Corporate Global Warming Countermeasure Rankings.

Kirin Group Long-Term Environmental Vision

The Kirin Group shares with all people associated with its value chain its aspiration to continue enjoying the bounty of nature and passing it down to the generations to come.

Our direction: Realization of society that is based on 100% recycling

The Kirin Group will use resources in a cyclical manner, so as to keep their use at or below the level that the earth can replenish them, while reducing the environmental loads that the Kirin Group generates through its value chain.

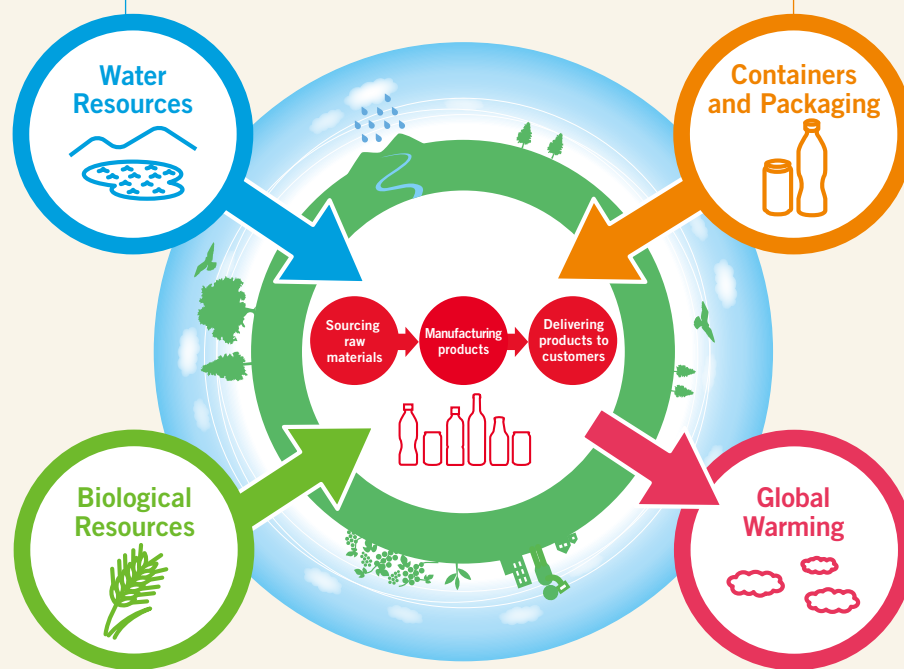
Our efforts

We will share responsibilities in the implementation of activities, working in cooperation with non-governmental organizations and industry groups, maintaining close communication with a wide range of stakeholders.

2050 Targets and Related Risks and Opportunities

Water Resources	
We make sustainable use of water together with communities.	
Target:	Strive to see that water resources in each region can be ensured on a permanent basis by 2050
Risks:	Securing stable supplies of quality water, increased costs for water usage, influence of disasters on production
Opportunities:	Advanced water-saving technologies, progress with methods for tracking risks in catchment areas and along the value chain

Containers and Packaging	
We use sustainable containers and packaging in consideration of their users.	
Target:	Work toward sustainable use of packaging and containers by 2050
Risks:	Resource scarcity, raw material cost increases, life cycle assessment of CO ₂ emissions volume, regulatory risk
Opportunities:	Technologies for the development of advanced containers and packaging, reductions in the consumption of raw materials, reductions in CO ₂ emissions, reductions in costs



Biological Resources	
We support agricultural communities and make sustainable use of biological resources.	
Target:	Work toward sustainable use of biological resources by 2050
Risks:	Loss of producer communities, securing stable supplies of raw materials, regulatory risk, reputational risk
Opportunities:	Establishment of good relationships with producers, securing high-quality raw materials with consideration for nature

Global Warming	
We keep the CO ₂ emissions of the value chain within the earth's natural CO ₂ absorption ability in cooperation with all the people associated with our value chain.	
Target:	Keep CO ₂ emissions across our value chain within the earth's capacity to absorb them by 2050
Risks:	Overall influence of climate change on businesses, rising energy costs, regulatory risk
Opportunities:	Advanced energy-saving technologies, renewable energy, cost reductions

Sustaining the Global Environment for the Next Generation

Major Initiatives and Results in 2015

Water Resources

To respond appropriately to water resource issues, which vary significantly by country, region, and year, the Kirin Group evaluates water risks in the catchment areas for 35 principal manufacturing sites*1 around the world and assesses environmental impacts on natural capital in the upstream segment of our value chain, including water usage, greenhouse gas emissions, and land usage area. In these ways, we are working to address water-related risks.

Based on the results of the risk evaluation, Australia was determined to have the highest risk. By implementing advanced water-saving initiatives in Australia and New Zealand, in 2014 we achieved a water intensity of 2.54 m³/kl, the highest level in the world among Kirin's business regions.

In Brazil, there has been a major water shortage since 2014. The Itu Plant, Brasil Kirin's largest manufacturing facility, has worked to implement further water-saving measures and has provided free bottled water to hospitals, childcare facilities, and schools in the city of Itu. In these ways, Brasil Kirin is working together with local residents to overcome the crisis.

In Japan, where water risks are comparatively low from a global viewpoint, total water usage in 2014, in comparison with 1990, was reduced by 70% and water intensity was reduced by 54%.

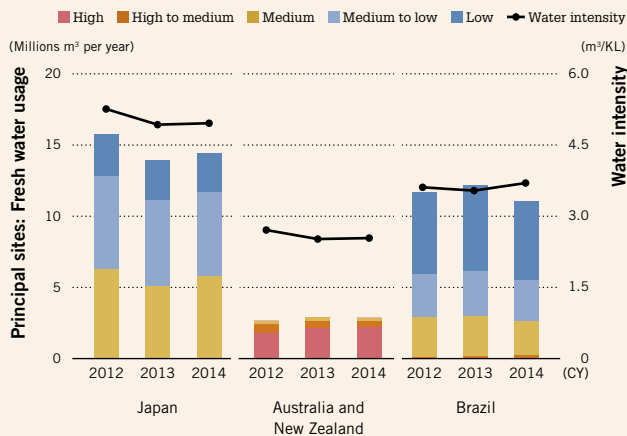
*1. The graph below shows the total for 28 sites with high water usage.

Biological Resources

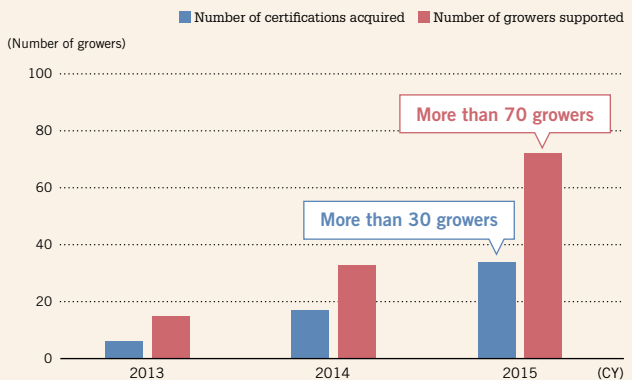
To use high-quality raw materials in a stable manner while enhancing the sustainability of local communities, we evaluate the risks associated with the biological resources that we procure, formulate action plans, and advance initiatives accordingly. In Sri Lanka, a major tea leaf production region for *Kirin Gogo-no-Kocha*, we have been providing support to tea growers who want to increase sustainability in their farm management since 2013. As of the end of 2015, we had commenced training at more than 70 tea growers, targeting the acquisition of Rainforest Alliance certification. More than 30 tea growers have already acquired certification. Moreover, all of the palm oil that we purchase uses the Book & Claim system, which is approved by the Roundtable on Sustainable Palm Oil (RSPO). We also confirm sustainability for the paper we use.

In 2014, we commenced wildlife surveys at hops farms in Tono City, Iwate Prefecture and ecosystem surveys at Mercian's Mariko Vineyard. We work to confirm that each field is an essential element of the local ecosystem in these domestic regions, which produce raw materials for beer and wine.

Principal Sites*1: Water Usage and Water Intensity by Region and Risk



Number of Sri Lankan Tea Growers Supported



Containers and Packaging

To limit the use of resources in containers and packaging and promote the implementation of 3R (reduce, reuse, recycle) activities, the Group has advanced environmentally conscious designs for containers and packaging for many years. Since 2014, using mechanical recycling, we have introduced recycled PET bottle materials for *Kirin Gogo-no-Kocha Oishii Sugar-Free* tea, and we have commenced closed loop recycling of PET bottles. In addition, working in cooperation with a glass company, in December 2014 we introduced the lightest medium-sized beer bottle*2 in Japan, which is 20% lighter than conventional bottles and is also reusable. We have commenced initiatives targeting the complete replacement of conventional bottles with these new bottles within 10 years. Moreover, in PET bottles we have developed the lightest 2L PET bottle*2 in Japan. This bottle weighs only 28.9g, and we also made it easy to crush for the purpose of reducing waste. We introduced this bottle on a nationwide basis in 2015.

*2. Based on Kirin research as of January 9, 2015



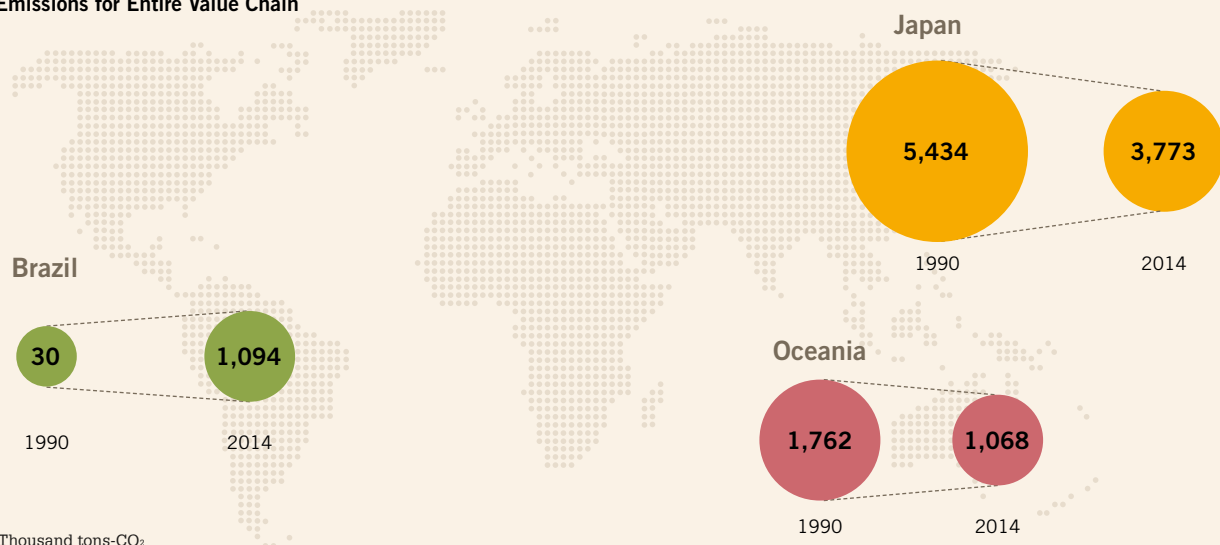
Global Warming

Aiming to implement global countermeasures to the risk of climate change and to reduce energy consumption, we are working to achieve the Group target of reducing CO₂ emissions generated from our entire global value chain by half from the 1990 level by 2050. From 2014, we have established a system that enables global tracking of CO₂ emissions over the value chain, including Brasil Kirin. In 2014, we achieved an 18% reduction in Groupwide CO₂ emissions in comparison with 1990.

In addition to working to save energy, we are also taking steps to reduce CO₂ emitted directly by the Company. For example, we are utilizing biogas obtained as a byproduct in the anaerobic processing of wastewater resulting from production processes. We are also working to reduce CO₂ emissions from transportation and sales. For example, we are increasing the efficiency of distribution through joint delivery with other companies in the same business, and aggressively introducing heat-pump-style vending machines.

We are also working aggressively in the disclosure of climate change information. In both 2014 and 2015, we were selected by CDP as an A list company.

CO₂ Emissions for Entire Value Chain



Unit: Thousand tons-CO₂

A DEEPER LOOK AT KIRIN'S OPERATIONS

At a Glance

In the business domains of “food and well-being,” the Kirin Group conducts business activities on a global basis, centered on alcoholic beverages, non-alcoholic beverages, and pharmaceuticals and bio-chemicals. In this way, the Group is taking on the challenge of “creating new value.”

Japan Integrated Beverages

Fiscal 2015 results

Sales

¥1,191.5 billion

Composition of sales

54%

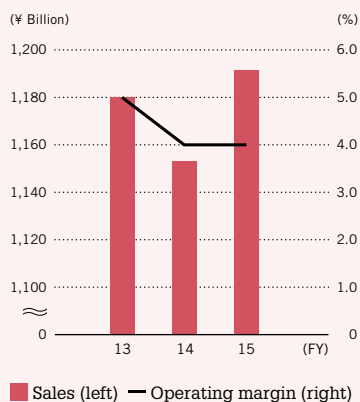
Operating income

¥47.9 billion

Assets

¥780.8 billion

Results for the past three years



Principal companies

- Kirin Company
- Kirin Brewery
- Kirin Beverage
- Mercian

Overseas Integrated Beverages

Fiscal 2015 results

Sales

¥624.1 billion

Composition of sales

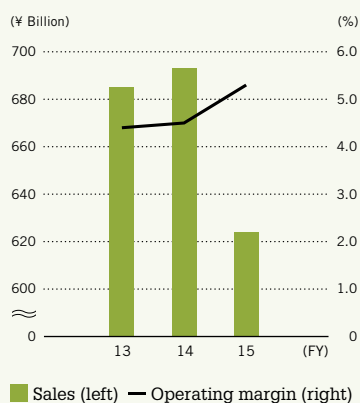
28%

Operating income

¥33.2 billion

Assets

¥965.5 billion



- Lion
- Brasil Kirin
- Myanmar Brewery*

* Profit and loss will have been consolidated from fiscal 2016.

Pharmaceuticals and Bio-chemicals

Fiscal 2015 results

Sales

¥355.7 billion

Composition of sales

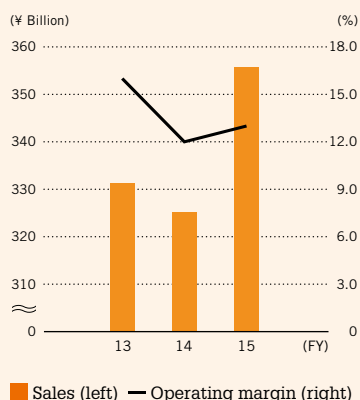
16%

Operating income

¥46.8 billion

Assets

¥735.3 billion



- Kyowa Hakko Kirin
- Kyowa Hakko Bio

Description of business

The Japan Integrated Beverages Business conducts manufacturing and sales of alcoholic beverages and non-alcoholic beverages in Japan, centered on Kirin Brewery, Kirin Beverage, and Mercian. Kirin Company, the regional headquarters, works to strengthen the core brands through the allocation of management resources in a manner that transcends the alcoholic and non-alcoholic beverage framework. Moreover, Kirin Company strives to create value that leads to surprise and inspiration by offering exceptional quality and taste while addressing societal issues from the perspective of the customer's well-being and link to society, based on the brand message "Quality with Surprise."

The Japan Integrated Beverages Business also works to expand sales of Kirin brand products in Asia, Europe, the United States, and other regions.

Leveraging the companies acquired through aggressive internationalization measures as its operating foundation, the Kirin Group manufactures and sells alcoholic and non-alcoholic beverages on a global basis. The operating companies implement management in an autonomous manner for the most part, but at the same time the holding company, Kirin Holdings, actively works together with the operating companies to develop and implement strategies, and to resolve issues in order to maximize the operating companies' growth potential.

In addition, with New KV2021 as a shared vision and strategic framework, the overseas operating companies draw on each other's strengths as well as the technical expertise cultivated in Japan, thereby supporting the growth of the Group as a whole.

Kyowa Hakko Kirin, which is responsible for the current Pharmaceuticals and Bio-chemicals Business, was created through the merger in 2008 of Kyowa Hakko Kogyo and Kirin Pharma, which handled the Kirin Group's pharmaceutical operations.

In the pharmaceuticals business, Kyowa Hakko Kirin conducts development, manufacturing, and sales of ethical drugs based on leading-edge biotechnology. In the bio-chemicals business, the company leverages innovative fermentation and synthesis technologies to provide high-value functional materials that meet a variety of needs in the pharmaceutical, medical, and healthcare fields.

Major products



Japan Integrated Beverages

Kirin Brewery

Business Overview and Challenges

- Number two share in the beer market (33.4%^{*1})
- Number two share in the RTD product market^{*2}

*1. Based on fiscal 2015 taxed shipment volumes

*2. Kirin estimate

Kirin Brewery is the main pillar of the operations of the Kirin Group, which has consistently practiced a customer-oriented, quality-oriented approach since it was founded. Kirin Brewery generates substantial management resources for the Group's overall growth, and strengthening Kirin Brewery's earnings foundation is the Group's highest priority. Kirin Brewery's market share had been declining since fiscal 2009, when it had the leading share of the domestic beer market, but in fiscal 2015 the company succeeded in halting that decline. Moving forward, Kirin Brewery's challenge will be to achieve a V-shaped recovery.

Sales Volume in Fiscal 2015

Category	Percentage change
Beer products, total	0.1%
Beer	1.0%
Happo-shu	-0.8%
New genre	-0.0%
RTD products	7.6%
Whiskey and spirits, etc. (sales amount)	6.8%

Fiscal 2015 Business Report

With the domestic market for beer products contracting, Kirin Brewery's highest priority was to strengthen the flagship *Ichiban Shibori* brand. In addition, we drove growth in the market by leveraging one of our strengths, our technical expertise, in the functional products category, centered on happo-shu and new genre products. As a result, the overall sales volume of beer products increased year on year, and we increased our market share.^{*3} Sales volumes rose year on year in the growing categories of RTD products and whiskey and spirits, among others. Overall, net sales rose but operating income declined due to higher sales expenses that were incurred to support a recovery in market share.

*3. Fiscal 2014: 33.2%; fiscal 2015: 33.4%
(Based on fiscal 2014 and fiscal 2015 taxed shipment volumes)

¥ Billion

	Fiscal 2015	Fiscal 2014	Percentage change
Net sales	707.2	698.7	1.2%
Net sales (excluding liquor taxes)	415.3	409.0	0.8%
Operating income	62.6	66.4	-5.8%

Ichiban Shibori brand: +4.2%

Functional products category:
Number one share^{*4}

*4. Kirin estimate



Tanrei
Green Label



Tanrei
Platinum
Double



Kirin
Nodogoshi
All Light

Fiscal 2016 Business Plan

To move onto a growth track in market share for beer products, Kirin Brewery will aim to increase the sales volumes of beer products, which has the highest marginal profit among beer products, while maintaining selling expenses at the same level as in the previous fiscal year. Specifically, our highest priority will be taking steps to strengthen the *Ichiban Shibori* brand, such as the launch of the 47 *Todofuken no Ichiban Shibori Beer*, which will offer the distinctive tastes and individuality of each of Japan's 47 prefectures. We will aim to achieve higher sales and profits through continued growth in the sales volume for RTD and whiskey and spirits, etc., for which the markets are growing, as well as ¥5 billion in cost reductions.

¥ Billion

	Fiscal 2016 plan	Fiscal 2015 results	Percentage change
Net sales	711.0	707.2	0.5%
Net sales (excluding liquor taxes)	418.6	415.3	0.8%
Operating income	70.8	62.6	13.1%

Note: A ¥4.0 billion decrease in depreciation due to changes in the depreciation method is included in the plan for operating income in fiscal 2016.

Fiscal 2016 Sales Plan

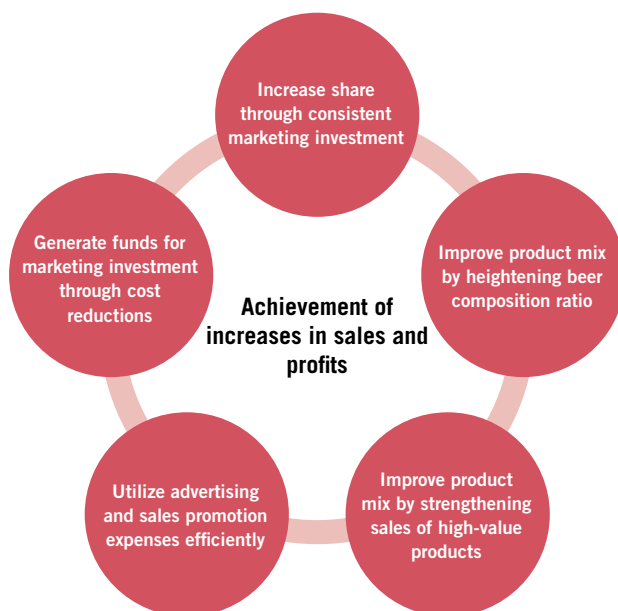
Category	Percentage change	Market expectation
Beer products, total	-0.9%	Approximately -2%
Beer	2.3%	Approximately -1%
Happo-shu	-3.7%	Approximately -3%
New genre	-2.0%	Approximately -2%
RTD products	4.5%	Approximately +3%
Whiskey and spirits, etc. (sales amount)	9.2%	—

➔ Basic Strategy for Achieving the 2016 MTBP

Of the three key initiatives in the 2016 MTBP, the highest priority is to invest, strengthen, and grow the profit base in the beer business, and in that regard Kirin Brewery will be the highest priority business. The three years of the 2016 MTBP will be positioned as a period to achieve increases in sales and profits, and a V-shaped recovery. We will work to raise the operating profit margin* from 15.1% in fiscal 2015 to more than 17% in fiscal 2018.

The domestic market for beer products is mature, and the operating environment is marked by extremely intense competition. In this setting, to increase market share by exceeding market volume growth, over the three years of the 2016 MTBP it will be necessary to continue marketing investment at the same level as in fiscal 2015. In particular, we will work to increase the composition ratio of traditional beer, which has the highest profit margin of the three categories of beer products, and to promote sales of high-value beers, RTD products, and whiskey and spirits, among others. In these ways, we will strive to improve the product mix. We will also work to advance the efficient utilization of advertising and sales promotion expenses while generating as many funds for brand investment as possible by steadily advancing initiatives to reduce costs.

* Ratio of operating income before deduction of management fees to net sales (excluding liquor taxes)



Basic Strategy

Enhancing the Appeal of the Beer Category

To address diversifying consumer preferences in a contracting beer market, Kirin Brewery will take steps to strengthen the flagship *Ichiban Shibori* brand, such as the launch of the *47 Todofuken no Ichiban Shibori Beer*. In these ways, we will increase the composition ratio of traditional beer. Furthermore, we will aim to create a new beer culture through craft beer, such as the rollout of our own brands, *SPRING VALLEY BREWERY* and *Grand Kirin*, and our alliance with YO-HO BREWING COMPANY.

Strengthening the Functional Products Category

In 2014 and 2015, we further solidified our market position in the functional products category, centered on happo-shu and new genre products. By leveraging our strong technical expertise, we will strengthen our brands as a focus area that can support healthy consumer lifestyles.

Strengthening the Business Foundation and Sustaining Brand Investment

To increase profitability over the medium to long term, we must nurture our brands into the brands of choice through continued brand investment. To generate the funds for that investment, we will continue to cut costs. We will take steps to achieve high productivity over the entire supply chain, such as increasing productivity at plants and reducing raw material costs.

Measures to Improve Profitability

2018 Guidance

- Operating profit margin: More than 17% (Fiscal 2015: 15.1%) (excluding liquor taxes/before deduction of management fees)

Measures to Improve Profitability

- Enhancing the Appeal of the Beer Category
 - Grow sales volume in the traditional beer category through sustained support for *Ichiban Shibori*
 - Foster and grow craft beer brands
- Strengthening the Functional Products Category
 - Lead market growth with a diverse lineup that leverages Kirin's technical expertise
- Strengthening the Business Foundation and Sustaining Brand Investment
 - Roll out high-value RTD and whiskey products
 - Efficiently utilize advertising and sales promotion expenses
 - Achieve high productivity over the entire supply chain

Japan Integrated Beverages

Kirin Beverage

Business Overview and Challenges

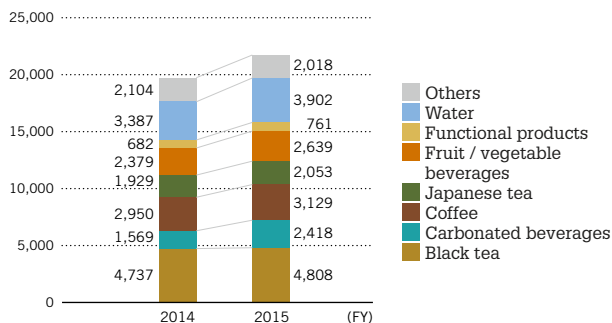
- Number four share in the domestic non-alcoholic beverages market*
- Overwhelming position in the black tea category with the *Kirin Gogo-no-Kocha* brand

* Kirin estimate (January 2015 to December 2015)

In addition to *Kirin Gogo-no-Kocha*, which will mark its 30th anniversary in 2016, Kirin Beverage is also nurturing other brands, such as *Kirin Nama-cha* sugar-free teas, *Kirin FIRE* coffees, and *Kirin Mets* carbonated beverages. In fiscal 2015, sales volume recorded a substantial year-on-year increase of 10.1%, but the increase in operating income was limited to 6.3%, and the operating profit margin was 1.5%. Moving forward, Kirin Beverage's challenge will be to increase profitability by building a strong brand system and implementing structural reforms.

Sales Volume

(10,000 cases)



Fiscal 2015 Business Report

Net sales increased year on year, with the sales volume of core brand *Kirin Gogo-no-Kocha* reaching a record high and the sales volume of *Kirin Mets* carbonated beverages rising 147%. Operating income also increased, but the composition ratio of large PET bottles, which are less profitable, increased, and the rise in sales promotion expenses exceeded estimates.

	Fiscal 2015	Fiscal 2014	Percentage change
Sales volume (10,000 cases)	21,728	19,737	10.1%
Net sales (Billion yen)	372.0	345.7	7.6%
Operating income (Billion yen)	5.6	5.3	6.3%

Change in Operating Income

¥ Billion

Cause	Change
Difference in volume of sales	20.5
Decrease in raw material costs, etc.	4.1
Decrease due to change in composition ratio of containers, etc.	-6.0
Increase in selling expenses	-17.9
Increase in other expenses	-0.4
Total	0.3

Fiscal 2016 Business Plan

Kirin Beverage will shift to can and small PET bottle sales targets instead of case-equivalent unit targets, control sales promotion expenses for large PET bottles, and strengthen the vending machine channel so that we can improve container and product mix and reduce sales promotion expenses. We will also step up the weighted allocation of resources to core brands and take steps to strengthen brands in major categories. In addition, we will reduce costs for the entire supply chain and advance initiatives to reform our profit structure.

	Fiscal 2016 plan	Fiscal 2015 results	Percentage change
Sales volume (10,000 cases)	21,060	21,728	-3.1%
Net sales (Billion yen)	368.0	372.0	-1.1%
Operating income (Billion yen)	11.1	5.6	96.0%

Can and small PET bottle sales volume target: +2%



➔ Basic Strategy for Achieving the 2016 MTBP

In the 2016 MTBP, Kirin Beverage is positioned as one of our low-profit businesses. To address the key challenge of restructuring and revitalizing low-profit businesses, over the three-year period of the plan Kirin Beverage will complete structural reforms, targeting profitable growth. We will aim for an operating profit margin of more than 3% in fiscal 2018.

Basic Strategy

With competition intensifying, Kirin Beverage has recorded declining sales volumes in the high-profit coffee, carbonated beverage, and sugar-free tea categories. This decline contributes to an increase in the sales volume and composition ratio of large PET bottles with special discounts through sales promotion expenses. Under this structure, it is difficult to generate profits when sales volume increases as measured by the traditional case-equivalent units.

Building a Robust Brand Portfolio

Through weighted allocation of management resources, Kirin Beverage will work to strengthen brands in the three major categories and to improve category mix. We will take steps to revitalize *Kirin Nama-cha* green tea through a full renewal; make *Kirin Mets* carbonated beverages, which substantially increased their presence in fiscal 2015, a staple product; and strengthen *Kirin FIRE* coffee products.

Reforming the Profit Structure

We will switch to can and small PET bottle sales volume targets and reform sales activities. In addition, in vending machines, which are a high-profit sales channel, Kirin Beverage will focus on increasing sales volume per machine, introduce products exclusively for vending machines, and take other steps to enhance profitability. In these ways, we will work to improve the container composition ratio and channel mix and to control sales promotion expenses.

In addition, we will implement structural reforms for the entire supply chain, such as reducing costs related to procurement, distribution, and product disposal. We will also strive to increase labor productivity at production sites.

Measures to Improve Profitability

2018 Guidance

- Operating profit margin: More than 3% (Fiscal 2015: 1.5%) (Before deduction of management fees)
- Building a Robust Brand Portfolio
 - Focus on the three major categories
- Reforming the Profit Structure
 - Switch to sales force evaluation based on brand profitability; focus on beverages in cans and small PET bottles
 - Reform supply chain cost structure
 - Raise labor productivity
- Using Alliances to Solve Structural Issues

Mercian

Business Overview and Challenges

■ Leading share in domestic wine market

Mercian is a wine group with three functions—winemaking, import/sales, and wineries. Mercian is working to reform its cost structure to reduce its susceptibility to foreign exchange rate fluctuations, and the company is also taking steps to strengthen its product portfolio.

Fiscal 2015 Business Report and Basic Strategy for Achieving the 2016 MTBP

Sales volume in fiscal 2015 was down 1%, but Mercian implemented a range of measures, including steps to strengthen the *Chateau Mercian* brand and to broaden the

customer base of the wine market. In fiscal 2016, Mercian is forecasting a decline in profits due to the influence of the depreciation of the yen. However, we will implement measures to reduce costs and work to promote higher-priced products among wines from Chile, which are recording growth. In these ways, Mercian will strive to increase its operating profit margin in fiscal 2018.

	Fiscal 2016 plan	Fiscal 2015 results	Fiscal 2014 results
Net sales	70.2	69.3	69.1
Operating income	1.7	1.9	1.4

¥ Billion

Overseas Integrated Beverages Business

Lion (Oceania)

Business Overview and Challenges

- No. 1 shares of the beer markets in both Australia and New Zealand
- Leading national brands in multiple categories in the dairy and drinks business

Lion is one of Oceania's largest food companies with a strong beer, spirits, and wine business as well as a diverse dairy and drinks portfolio. Moving forward, Lion's challenges are to ensure sustainable growth in its beer, spirits, and wine business, which makes a strong contribution to profits, through the revitalization of the Australian beer market, as well as to improve profitability in the dairy and drinks business.

Fiscal 2015 Business Report

In the beer, spirits, and wine business, the Australian beer market continued to contract in fiscal 2015, and Lion's sales volume declined 1.8%. However, due to price realization, an improved product mix resulting from favorable sales of craft beers, and cost reductions, Lion kept the decline in operating income at 1.3%, and the operating profit margin improved year on year.

In the dairy and drinks business, due mainly to the end of contracts for the production of private-brand milk products, Lion's sales volume was down 17.4%. In this setting, Lion implemented the Turnaround Plan to achieve extensive cost reductions throughout the supply chain. As a result, operating income increased 891.8%, or AUD25 million.

Fiscal 2016 Business Plan

In the beer, spirits, and wine business, the depreciation of the Australian dollar will increase the cost of imported products, and as a result Lion's business plan calls for a decline of 3.2% in operating income. Lion will take steps to reinforce its earnings foundation by further strengthening its brands in growth categories, such as craft beer and cider, and by working to revitalize the Australian beer market.

In the dairy and drinks business, Lion will continue to implement the Turnaround Plan and strive to increase profits by reducing costs throughout the supply chain. In addition, to support healthy dietary habits for consumers

Lion will continue to advance The Goodness Project, which includes measures to reduce additives, among others.

➔ Basic Strategy for Achieving the 2016 MTBP

In the beer, spirits, and wine business, Lion will aim to sustain high profit margins by strengthening growth categories and by reducing costs. In addition, to achieve sustained growth Lion will take steps to stop the contraction of the Australian beer market. To that end, Lion will convey what value beer actually has to consumers by improving the labeling in regard to primary ingredients, components, and manufacturing methods, and through advertisement. In the dairy and drinks business, Lion will aim for an operating profit margin of 5% or more by implementing ongoing cost reductions while focusing on sales in high-profit categories.

Lion's Beer, Spirits, and Wine Business

Revitalize and grow the Australian beer market

2018 Guidance

- Maintain market position
- Maintain high operating profit margin (2015: 27.0%)

Measures to Improve Profitability

- 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 fiscal 2015 to be realized in fiscal 2016

Lion's Dairy and Drinks Business

Implement the Turnaround Plan to grow profits

2018 Guidance

- Operating profit margin* of 5% or more (2015: 2.3%)
- *Operating income before amortization of goodwill, etc.

Measures to Improve Profitability

- Prioritize resource allocation to key categories and brands
 - Focus sales efforts on Milk Based Beverages and other higher profit products
- Deliver value based on Health and Nutrition
 - Strengthen brands through The Goodness Project
- Reform cost structure of the entire supply chain
 - Supply chain cost reductions in line with the Turnaround Plan

Brasil Kirin

Business Overview and Challenges

- Strong presence in northern and northeastern Brazil
- Rolling out premium and craft beers in southern and southeastern Brazil

Brasil Kirin manufactures and markets beer and soft drinks throughout Brazil. The company's key challenges are achieving a recovery in sales volume, which declined substantially in fiscal 2015 and transitioning to an organization and cost structure that are appropriate for the scale of operations.

Fiscal 2015 Business Report

The sales volume continued to decline substantially from the beginning of the year, and accordingly, in September Brasil Kirin started to reevaluate its sales and product strategies. The company took steps to renew *Schin* beer, its core brand, and to reinforce its distribution network. However, sales volume for the full year was down 16.2%, and the cost of raw materials also increased due to the depreciation of the Brazilian real.

Unit: Millions of BRL

	Fiscal 2015	Fiscal 2014	YoY change
Sales	3,698	3,987	-7.2%
Operating income before amortization of goodwill, etc.	(322)	220	—

YoY change in operating income before amortization of goodwill, etc.

Decrease in gross profit: BRL182 million

- 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 Brazilian economy increased raw material costs

Increase in SG&A: BRL360 million

- 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

Fiscal 2016 Business Plan

The decline in sales volume is coming to an end, and the initiatives launched at the end of fiscal 2015 are expected to yield cost reduction benefits of BRL200 million. Also, our focus on premium and craft beers from the second half of 2015 has been generating solid growth, and this category is one of our main pillars aimed to improve the product mix in

2016. However, due to the depreciation of the Brazilian real, raw material costs continue to increase and Brasil Kirin expects to continue to record an operating loss in fiscal 2016.

Unit: Millions of BRL

	Fiscal 2016 plan	Fiscal 2015 results	YoY change
Sales	3,813	3,698	3.1%
Operating income before amortization of goodwill, etc.	(296)	(322)	—
Amortization of goodwill	—	(117)	—
Brand amortization	(22)	(69)	—
Operating income	(318)	(509)	—

Note: In addition, optimization of production sites is under consideration.

Cost reduction forecast: Approximately BRL200 million

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

➔ Basic Strategy for Achieving the 2016 MTBP

Brasil Kirin's 2018 guidance is to reduce the operating loss to the point where it will be possible to achieve profits in 2019. Moreover, Brasil Kirin will do its utmost to return to profitability even sooner through the rapid implementation of structural reform.

Achieve profitable growth through structural reform

2018 Guidance

- Achieve profit in 2019 (2015: ¥18.5 billion loss*)
- *Operating income before amortization of goodwill, etc.

Measures to improve profitability

- Grow profit domains based on regional product strategy
 - 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
 - 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

Overseas Integrated Beverages Business

Myanmar Brewery

Business Overview and Challenges

- No. 1 share of beer market in Myanmar
- Strengths include dominant brand equity and a strong distribution network

Myanmar Brewery manufactures and sells beer in Myanmar, where it has a market share of approximately 80%. The company's challenges are to address the changing competitive environment due to the entry of global players and to increase production capacity in a growth market.

➔ History and Plans from Fiscal 2016

Myanmar Brewery was established in 1995. The company has driven growth in Myanmar's beer market with a brand portfolio that features *Myanmar Beer*, its core brand, and *Andaman Gold*, an economically priced beer, among other brands. In August 2015, the Kirin Group acquired 55% of the outstanding shares in Myanmar Brewery Limited through Kirin Holdings Singapore Pte, Ltd., the Group's regional headquarters for Southeast Asia.

From fiscal 2016, Myanmar Brewery's profit and loss will be reflected in the Group's consolidated settlement. Moving forward, the company will work to sustain and strengthen its position as market leader, expand manufacturing facilities, and enhance sales channels that address demand in this growth market. In addition, to compete with other companies that have entered this market, Myanmar Brewery is taking steps to enhance its brand portfolio, such as launching products under the *Kirin* brand.

Invest to strengthen position as market leader

2018 Guidance

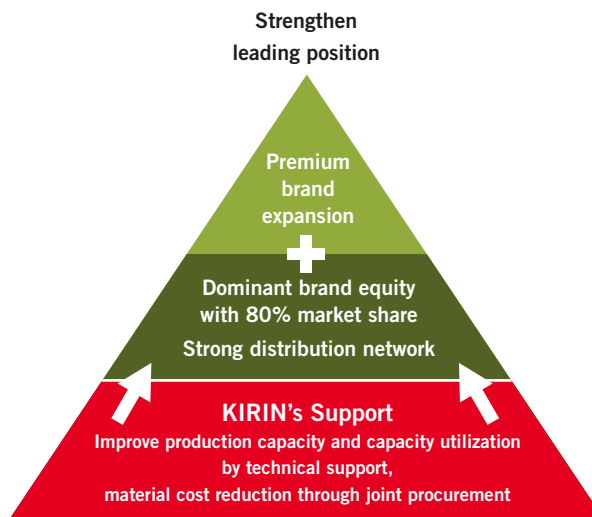
- Maintain market position
- Capture share of market growth
- Measures to improve profitability
- Expand brand portfolio
 - Explore launch of premium brand in Myanmar
- Strengthen business platform
 - Expand production facilities
 - Strengthen and expand sales channels

Fiscal 2016 Plan

	Billions of yen	Billions of kyat
Sales	22.8	253
Operating income before amortization of goodwill, etc.	8.8	99
Amortization of goodwill	(1.6)	(17)
Brand amortization	(1.6)	(18)
Operating income	5.6	64

Consolidation period: October 2015 to September 2016
Exchange rate: 1,000 kyat = ¥90.00

Basic Strategy



Pharmaceuticals and Bio-chemicals Business

Kyowa Hakko Kirin

Business Overview and Challenges

Pharmaceuticals

- Strengths in therapeutic antibodies that leverage its leading-edge, unique biotechnologies
- Integrated range of capabilities extending from R&D to manufacturing and sales

Bio-chemicals business

- Providing customers around the world with substances related to amino acids and nucleic acids in the fields of pharmaceuticals, medicine, and healthcare

Fiscal 2015 Business Report

In the domestic pharmaceuticals business, core product *NESP*[®] recorded solid results, and *G-Lasta*[®] and other new products registered growth. In addition, results were also favorable overseas. In the bio-chemicals business, favorable sales were recorded by *Ornithine*, which is offered through mail order in Japan, and by amino acids in Europe and the United States.

	2015 results	2014 results	YoY change
¥ Billion			
Sales	355.7	325.1	9.4%
Kyowa Hakko Kirin	364.3	333.4	9.3%
Pharmaceuticals	278.4	251.8	10.5%
Bio-chemicals	85.9	81.5	5.3%
Other and elimination	(8.5)	(8.2)	—
Operating income	46.8	38.8	20.4%
Kyowa Hakko Kirin	46.8	38.8	20.4%
Pharmaceuticals	36.2	29.0	24.6%
Bio-chemicals	8.1	7.2	11.7%
Other, elimination of amortization of goodwill	8.6	8.7	-1.4%
Amortization of goodwill	(6.1)	(6.2)	—

➔ Strategies and Plans from Fiscal 2016

Kyowa Hakko Kirin, which aims to be a global specialty pharmaceutical company, has formulated a five-year medium-term business plan for the period from 2016 to 2020. In fiscal 2016, Kyowa Hakko Kirin's plan anticipates lower revenues and profits, due in part to the expected drug price revisions. However, by continuing to invest in R&D, Kyowa Hakko Kirin will work to launch its three

global strategic products in Europe and the United States and will build a system suitable for global operations.

In the bio-chemicals business, key challenges are to increase brand strength and profitability, and the company is working to build a business structure that is less susceptible to the influence of exchange rate fluctuations.

Realize solid growth as a global specialty pharmaceutical company

2020 Guidance

- Core operating income* of ¥100 billion or more (Pre-consolidation)

Invest to achieve outstanding growth

- Improve global competitiveness
 - Launch three global products in Europe and the United States
 - Build a global sales framework and organization

* Operating income + Amortization of goodwill + Equity in earnings of affiliated companies

Three global strategic products for which approval is expected by 2020

Development Code	Indication / Target Disease
KW-6002	Parkinson's disease
KRN23	X-linked Hypophosphatemia
KW-0761	Adult T-cell Leukemia/Lymphoma (ATL), Cutaneous T-cell Lymphoma (CTCL)

Fiscal 2016 Plan

	2016 plan	2015 results	YoY change
¥ Billion			
Sales	343.0	355.7	-3.6%
Kyowa Hakko Kirin	351.0	364.3	-3.7%
Pharmaceuticals	267.0	278.4	-4.1%
Bio-chemicals	84.0	85.9	-2.2%
Other and elimination	(8.0)	(8.5)	—
Operating income	33.0	46.8	-29.5%
Kyowa Hakko Kirin	33.0	46.8	-29.5%
Pharmaceuticals	23.0	36.2	-36.5%
Bio-chemicals	7.0	8.1	-13.9%
Other, elimination of amortization of goodwill	9.1	8.6	5.9%
Amortization of goodwill	(6.1)	(6.1)	—

Management's Discussion and Analysis

Note: Unless otherwise stated, all comparisons are with the previous fiscal year (fiscal 2014). 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, 2015, the Kirin Group comprised 211 consolidated subsidiaries and 15 equity-method affiliates.

Overview of Business Environment

In the fiscal year under review, the global economy maintained a moderate recovery trend, centered on developed countries. Overall, however, there was a gradual deceleration due to a slowdown in the pace of growth in China and other emerging countries and to worsening economies in resource-producing countries.

In this setting, despite certain fluctuations, the Japanese economy maintained an overall trend of moderate recovery. Consumer spending lacked strength, but compensation of employees improved, and as a result consumer spending followed a gradual recovery trend.

Consolidated Statements of Income

Consolidated sales and gross profit

Consolidated sales (including liquor taxes) increased 0.1%, to ¥2,196.9 billion. This gain was primarily attributable to higher domestic sales volumes for beer products, RTD products, and non-alcoholic beverages and to higher sales in the Pharmaceuticals and Bio-chemicals Business. These factors offset substantial declines in sales volume in Lion dairy and drinks business in Australia and at Brasil Kirin, as well as the depreciation versus the yen of the Australian dollar and the Brazilian real in comparison with the previous year. Excluding liquor taxes, consolidated net sales declined 0.2%, to ¥1,891.2 billion.

The cost of sales was down 2.9%, to ¥923.1 billion. As a result, gross profit rose 2.6%, to ¥968.0 billion. The gross profit margin (excluding liquor taxes) increased by 1.4 percentage points, from 49.8% to 51.2%.

SG&A expenses and operating income

Selling, general and administrative (SG&A) expenses rose 1.7%, to ¥843.3 billion, due to increased selling expenses in the Japan Integrated Beverages Business, higher SG&A expenses at Brasil Kirin, and increased R&D expenses in the Pharmaceuticals and Bio-chemicals Business. Due to the small decrease in consolidated net sales (excluding liquor taxes), the ratio of SG&A expenses to net sales (excluding liquor taxes) increased by 0.8 percentage point, to 44.6%.

R&D expenses included in SG&A expenses rose 7.4%, to ¥61.2 billion (¥61.3 billion including R&D expenses that are included in manufacturing expenses), and accounted for 3.2% 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 Business, were ¥51.0 billion, accounting for 84.1% of consolidated R&D expenses.

From the fiscal year under review, the Company has applied the Revised Accounting Standard for Business Combinations and other standards. Accordingly, the accounting method has been changed such that the

difference associated with changes in equity in subsidiaries remaining under the control of the Company is recorded as capital surplus, and acquisition-related costs are recorded as expenses for the fiscal year in which the costs are incurred. As a result of this change, as of the beginning of the fiscal year under review, goodwill declined by ¥263.9 billion, and amortization of goodwill declined by ¥21.8 billion in comparison with the previous fiscal year. Consequently, despite a decline in profit in the Japan Integrated Beverages Business due to the increase in selling expenses and a significant decline in profit at Brasil Kirin, consolidated operating income (after amortization of goodwill, etc.) increased 8.9%, to ¥124.7 billion. As a result, although ratio of the operating income before amortization of goodwill, etc. (exclusive of liquor taxes), decreased by 0.7 percentage point, to 8.4%, ratio of the operating income after amortization of goodwill, etc. (exclusive of liquor taxes), increased by 0.6 percentage point, to 6.6%.

Non-operating income and expenses, ordinary income

Overall, non-operating income and expenses resulted in a net non-operating gain of ¥3.4 billion, compared with a net operating loss of ¥20.3 billion in the previous fiscal year. Contributions to this gain were made by an increase of ¥13.2 billion in equity in earnings of affiliates, an increase due to favorable results at San Miguel Brewery, and an increase due to lower R&D expenses at Kirin-Amgen, Inc. Ordinary income, the sum of operating income and net non-operating gain or loss, was up 36.1%, to ¥128.1 billion.

Special income and expenses

Major items included in special income were a ¥19.4 billion gain on sale of property, plant and equipment and intangible assets and a ¥6.8 billion gain on sale of investment securities. On the other hand, special expenses included a loss on impairment of ¥123.3 billion, which included a ¥110.0 billion loss on impairment of goodwill, etc., recorded by Brasil Kirin. Overall, there was a net special loss of ¥110.7 billion, an increase of ¥94.4 billion from the net special loss of ¥16.3 billion in the previous fiscal year.

Net income (loss)

Due to such factors as the substantial net special loss, increased income taxes resulting from higher taxable income at Lion, and an increase in minority interests in income, consolidated net loss was ¥47.3 billion, a substantial decline of ¥79.7 billion from the previous fiscal year. Earnings per share (EPS) were -¥51.87, and EPS before amortization of goodwill, etc., was -¥2.83. Normalized EPS* declined ¥1 from the previous fiscal year, to ¥117. ROE before amortization of goodwill, etc., was -0.3%.

* 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 2014	Change (%)
Sales	2,196.9	2,195.7	0.1
Less: Japanese liquor taxes	305.6	301.3	1.4
Net sales	1,891.2	1,894.4	-0.2
Cost of sales	923.1	950.9	-2.9
Gross profit	968.0	943.4	2.6
Selling, general and administrative expenses	843.3	828.9	1.7
Operating income	124.7	114.5	8.9
Operating income (before amortization of goodwill, etc.)	158.5	171.5	-7.6
Non-operating income	29.8	15.7	89.6
Non-operating expenses	26.4	36.0	-26.8
Ordinary income	128.1	94.2	36.1
Special income	29.1	8.6	236.8
Special expenses	139.9	25.0	459.9
Income before income taxes and minority interests	17.4	77.8	-77.6
Income taxes	45.9	33.0	39.1
Minority interests	18.8	12.4	51.1
Net income (loss)	(47.3)	32.3	—

Indicators

	Fiscal 2015	Fiscal 2014	Change (%)
Net income (loss) per share (EPS) (Yen)	(51.87)	35.27	—
EPS (before amortization of goodwill, etc.) (Yen)	(2.83)	108.57	—
Normalized EPS (Yen)	117	118	-0.8
Normalized net income (Billions of yen)	107.0	108.7	-1.6
ROE (Before amortization of goodwill, etc.) (%)	(0.3)	8.6	—

Analysis of Change in Consolidated Sales

The decline in sales in the Overseas Integrated Beverages Business was covered by higher sales volumes for domestic beer products, RTD products, and non-alcoholic beverages as well as by higher sales of pharmaceuticals and bio-chemicals. As a result, the Company achieved growth in sales.

¥ Billion

	Change: Fiscal 2015 vs. Fiscal 2014
Japan Integrated Beverages Business	
Increase in sales at Kirin Brewery	8.5
Increase in sales at Kirin Beverage	26.3
Overseas Integrated Beverages Business	
Decrease in sales at Lion	-31.5* ¹
Decrease in sales at Brasil Kirin	-45.6* ²
Pharmaceuticals and Bio-chemicals Business	
Increase in sales at Kyowa Hakko Kirin	30.8
Other and inter-segment eliminations	12.4
Total	1.1

Analysis of Change in Consolidated Operating Income

Despite the fact that amortization of goodwill declined by ¥21.8 billion due to the application of the Revised Accounting Standard for Business Combinations, the increase in operating income was limited to ¥10.2 billion, mainly because of aggressive brand investment in the domestic beer business and the worsening of results at Brasil Kirin.

¥ Billion

	Change: Fiscal 2015 vs. Fiscal 2014
Japan Integrated Beverages Business	
Decrease in profits at Kirin Brewery	-3.8
Increase in profits at Kirin Beverage	0.3
Increase in profits at Mercian	0.5
Overseas Integrated Beverages Business* ³	
Increase in profits at Lion	1.1* ¹
Decrease in profits at Brasil Kirin	-21.6* ²
Pharmaceuticals and Bio-chemicals Business	
Increase in profits at Kyowa Hakko Kirin	7.9
Decline in amount of amortization of goodwill due to the application of the Revised Accounting Standard for Business Combinations	21.8
Other	4.0
Total	10.2

*1. Fiscal 2015 exchange rate: 1 Australian dollar = ¥93.16 (Fiscal 2014: ¥94.24)

*2. Fiscal 2015 exchange rate: 1 Brazilian real = ¥36.30 (Fiscal 2014: ¥45.13)

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

Consolidated Balance Sheets

Assets

Total assets as of December 31, 2015, were ¥2,443.7 billion, a decrease of ¥522.0 billion, or 17.6%, compared to the previous fiscal year-end. Goodwill declined due to the application of the Revised Accounting Standard for Business Combinations and other standards, and an impairment loss on goodwill, etc., was recorded at Brasil Kirin. As a result, intangible assets declined by ¥390.8 billion. Property, plant and equipment also declined, falling by ¥86.6 billion due to such factors as the influence of foreign exchange rates on overseas subsidiaries. Non-current assets were down ¥502.1 billion, to ¥1,661.8 billion.

Liabilities

Total liabilities as of December 31, 2015, amounted to ¥1,505.6 billion, a year-on-year decrease of ¥124.4 billion, or 7.6%. Current liabilities decreased by ¥118.7 billion, to ¥665.9 billion, due in part to the redemption of commercial paper. Non-current liabilities decreased by ¥5.7 billion, to ¥839.7 billion.

Net assets

Due to the application of the Revised Accounting Standard for Business Combinations and other standards, the cumulative impact of the retroactive application of the new accounting policies over all past periods at January 1, 2015, is deducted from capital surplus and retained earnings. Net assets as of December 31, 2015, stood at ¥938.0 billion, down by ¥397.6 billion, or 29.8%, compared to the previous fiscal year-end. This was due in part to the cumulative impact on net assets at January 1, 2015, and to a ¥138.7 billion decrease in foreign currency translation adjustments. As a result, the shareholders' equity ratio was 27.2% at the end of the fiscal year, compared with 37.2% at the end of the previous fiscal year, and net assets per share were down ¥479.95 from the end of the previous fiscal year, to ¥727.48.

Summary of Consolidated Balance Sheets

¥ Billion

	End of Fiscal 2015	End of Fiscal 2014	Change
Current assets	781.9	801.8	-19.8
Cash and time deposits	66.4	49.4	17.0
Notes and accounts receivable, trade	397.6	408.7	-11.0
Inventory	227.7	246.2	-18.5
Other	90.0	97.4	-7.3
Non-current assets	1,661.8	2,164.0	-502.1
Property, plant and equipment	711.7	798.3	-86.6
Intangible assets	458.5	849.3	-390.8
Goodwill	269.2	642.4	-373.2
Other	189.3	206.8	-17.5
Investment and other assets	491.5	516.2	-24.7
Total assets	2,443.7	2,965.8	-522.0
Current liabilities	665.9	784.6	-118.7
Notes and accounts payable, trade	142.0	160.1	-18.0
Interest-bearing debt	158.1	234.9	-76.7
Other	365.7	389.6	-23.9
Non-current liabilities	839.7	845.4	-5.7
Interest-bearing debt	598.9	569.0	29.9
Other	240.8	276.4	-35.6
Total liabilities	1,505.6	1,630.1	-124.4
Shareholders' equity	645.6	957.0	-311.3
Total accumulated other comprehensive income	18.1	144.7	-126.5
Share options	0.4	0.3	0
Minority interests	273.8	233.5	40.2
Total net assets	938.0	1,335.7	-397.6
Total liabilities and net assets	2,443.7	2,965.8	-522.0

Consolidated Statement of Cash Flows

The balance of consolidated cash and cash equivalents as of December 31, 2015, was up by ¥19.6 billion from the previous fiscal year-end, to ¥60.3 billion.

Cash flows from operating activities

Net cash provided by operating activities was ¥171.0 billion, an increase of ¥15.7 billion compared to the previous fiscal year. Cash-decreasing factors included a decrease in income before income taxes and minority interests of ¥60.4 billion; a decrease in amortization of goodwill of ¥22.3 billion; and an increase in outflows of working capital of ¥3.7 billion due to changes in such items as trade notes and accounts receivable, inventories, trade notes and accounts payable, liquor taxes payable, and consumption taxes payable. However, cash-increasing factors included an increase in loss on impairment of ¥120.7 billion and a decrease in income taxes paid of ¥30.1 billion.

Cash flows from investing activities

Net cash used in investing activities declined by ¥68.7 billion, to ¥70.6 billion. Major cash outflows included payment for purchases of property, plant and equipment and intangible assets of ¥77.1 billion (down by ¥43.3 billion from the previous fiscal year); payment for acquisition of marketable securities and investment securities of ¥10.6 billion; and payment for acquisition of shares of newly consolidated subsidiaries of ¥52.8 billion. On the other hand, major cash inflows included proceeds from sale of property, plant and equipment and intangible assets of ¥32.3 billion; proceeds from transfer of business of ¥12.8 billion; and proceeds from

sale and redemption of marketable securities and investment securities of ¥19.8 billion.

Cash flows from financing activities

Net cash used in financing activities declined by ¥2.4 billion, to ¥78.2 billion. Major cash inflows included proceeds from long-term debt of ¥170.1 billion and proceeds from issuance of bonds of ¥15.0 billion. Major cash outflows included decrease in commercial paper of ¥83.9 billion; repayment of long-term debt of ¥63.0 billion; payment for redemption of bonds of ¥58.8 billion; and cash dividends paid of ¥34.6 billion.

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

	Fiscal 2015	Fiscal 2014
Equity ratio (%)	27.2	37.2
Equity ratio based on market capitalization (%)	61.5	46.1
Debt service coverage ratio (%)	480.4	562.3
Interest coverage ratio (Times)	13.0	10.4

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 the 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 on 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 Statement of Cash Flows

¥ Billion

	Fiscal 2015	Fiscal 2014	Change
Cash flows from operating activities	171.0	155.2	15.7
Income before income taxes and minority interests	17.4	77.8	-60.4
Depreciation and amortization	94.6	98.9	-4.3
Amortization of goodwill	27.3	49.6	-22.3
Other	31.6	(71.2)	102.8
Cash flows from investing activities	(70.6)	(139.3)	68.7
Payment for purchases of property, plant and equipment and intangible assets	(77.1)	(120.4)	43.3
Other	6.4	(18.9)	25.3
Cash flows from financing activities	(78.2)	(80.7)	2.4
Increase (decrease) in interest-bearing debt	(33.9)	(19.1)	-14.7
Cash dividends paid	(41.1)	(40.6)	-0.5
Other	(3.1)	(20.9)	17.7
Translation adjustments	(2.3)	0.1	-2.4
Net increase (decrease) in cash and cash equivalents	19.8	(64.7)	84.5

Risk Factors

Business and Other Risk Factors

Outlined below are the major risks faced by the Kirin Group in its business activities that have been identified as having the potential to have a significant impact on the decisions of investors. Information is also presented with regard to matters that do not necessarily have a significant impact, with the aim of promoting active disclosure of information to investors. The future risk items outlined below are those identified by the Company as of December 31, 2015.

1. Laws and Regulations

The Kirin Group's business operations are subject in Japan to a number of laws and regulations, including those relating to liquor taxes, food sanitation, pharmaceuticals and fair trading. The Group is also subject to local laws and regulations in each of the other countries in which it operates. For example, alcohol and non-alcohol consumption may decline if revisions to liquor tax and consumption tax laws result in higher consumer prices. Changes to the Pharmaceutical Affairs Law or related regulations and ordinances may also have an impact on the pharmaceuticals business, such as leading to a delay in the development of new products, while drug price revisions through the public pharmaceutical price system may adversely affect the performance and financial position of the pharmaceuticals business. Moreover, unforeseen revisions to laws may result in the curtailment of Group activities, adversely impacting business performance and the financial position of the Group.

2. Strengthening of Regulations on Alcohol Products

The Kirin Group conducts advertising and publicity in accordance with strict voluntary industry standards in order to meet social responsibilities as a corporate group manufacturing and selling alcohol products. However, international standards with respect to the sale of alcohol products are under consideration by the World Health Organization. If regulations were implemented that were significantly stricter than anticipated, consumption of alcoholic beverages may decline and the Group's business performance and financial position may be adversely affected.

3. Incidence of Litigation and Fines

The Kirin Group incorporates a range of measures to reduce the likelihood of employees acting in contravention of laws and regulations. These measures include engaging in a risk management cycle and promoting compliance via employee training seminars. However, in the course of the Group's operations in Japan and overseas, there is a possibility that litigation could be brought against, or fines imposed on, Group companies or its employees for real or supposed infringements of product liability, intellectual property, taxation or other laws. In such cases, either directly as a result of legal proceedings or as the result of the loss of trust from customers resulting from such proceedings, legal proceedings may have an adverse impact on the Group's business performance and financial position.

4. Increase in Raw Material and Energy Prices

Important raw materials used by the Kirin Group, such as aluminum, malt, corn, and fresh dairy products in Australia, as well as crude oil, electricity, and other energy sources, are subject to fluctuations in price depending on market conditions. Such price increases may lead to higher procurement, manufacturing, and transportation costs, adversely impacting the Group's business performance and financial position.

5. Fluctuations in Foreign Currency Exchange Rates and Interest Rates

The Kirin Group procures raw materials and part of its products from overseas, while undertaking the expansion of overseas businesses. Sudden and unforeseen fluctuations in foreign currency exchange rates, along with fluctuations in interest rates relating to domestic and overseas fund procurement, may adversely impact business performance and the financial position of the Group.

6. Financing

The Kirin Group procures the funds for its business operations mainly through borrowing from financial institutions and the issuance of commercial paper and corporate bonds, etc. For this reason, in the event of, for example, destabilization of the financial markets/an increase in interest rates, or downgrading of the Group's credit ratings by rating companies, etc., the Group could face limitations on its financing and thus the cost of financing may increase, or financing may not be possible at all. Such a situation may have an adverse impact on the Group's business performance and financial position.

7. Changes in the Value of Asset Holdings

The value of marketable securities and other such assets held by the Group are subject to changes in market prices, and a decrease in market values may have an adverse impact on the Group's business performance and financial position.

8. Changes in the Trends of Economic and Market Environments and Population Movements

The Kirin Group's business operations may be significantly influenced by economic conditions and related trends in personal consumption and/or population movements. In the event of a decline in consumption and/or demand, etc., due to a simultaneous worldwide economic downturn or an overall market decline due to Japan's declining birthrate and aging population, the Group's business performance and financial position could be adversely affected.

9. Business and Capital Alliances

In line with the Kirin Group's medium- and long-term management strategy, the Group is promoting the development of business and capital alliances with other companies in Japan and overseas, as part of its measures to improve the Group's competitive position and achieve growth. In undertaking this approach, however, the Group may not be able to exercise sufficient control over the management, operations, or assets of business alliance partners, and could be affected by circumstances at allied companies. The Group's business performance and financial position could also be adversely

affected if the performance of business alliance partners falls below expectations or other factors, forcing the Group to recognize impairment losses of goodwill, etc., associated with the Group's capital investments.

10. Human Resources

The Kirin Group promotes the development of business and capital alliances with other companies in Japan and overseas, and as a result, the background of Kirin Group employees is varied in terms of race, nationality, tradition and culture, and corporate philosophy. The Group respects the diversity of its employees and aims to generate innovation from that diversity. The Group, however, runs the risk of being unable to sufficiently secure and/or develop highly specialized human resources. In terms of industrial safety and health, the Group ensures to the greatest degree possible that no industrial/occupational accident occurs, as that would have a significant impact on its employees. Should such an incident occur, however, significant damage would be incurred, not only to Group facilities but also to the Group's invaluable human resources. Such a situation may have an adverse impact on the Group's business performance and financial position.

11. Weather, Climate Changes, Natural Disasters, and Infectious Diseases

The Kirin Group's business operations may be affected by abnormal meteorological conditions such as unseasonable weather, unusually cold summers, drought and typhoons, as well as global warming and other such factors. Furthermore, earthquakes and other natural disasters, outbreaks of infectious diseases such as new strains of influenza, and accidents on a large scale may limit or hinder the Group's business activities should they occur, adversely affecting its business performance and financial position.

12. Overseas Operations

The Kirin Group recognizes that its business activities may be restricted and that its performance and financial position may be adversely affected, in the event that any of the following situations occur, particularly overseas, and their effects exceed what has been predicted.

- Political, economic, or social turmoil resulting from the outbreak of war, terrorist activities, or other causes
- Trouble as a result of differences in culture or customs

13. Food Safety

The Kirin Group is engaged in continuous efforts to monitor and improve quality throughout the Group in order to offer customers "safety in food," as part of which the Group has implemented an enhanced product quality assurance and management system that encompasses goods manufactured at the Group's own factories as well as those manufactured at or imported under agreements with other companies. However, if an unexpected problem in quality management, etc., were to arise beyond the scope of the Group's capacity to ensure quality assurance, the Group's business activities may be restricted and its business performance and financial position may be adversely affected.

14. Pharmaceutical Product Safety

In the Kirin Group's pharmaceuticals business, strenuous efforts are made to ensure that pharmaceuticals manufactured at the Group's own facilities or procured from other companies meet stringent quality control standards and pass all appropriate tests. However, there is a possibility that unforeseen problems of product defects could emerge which could go beyond the scope of quality assurance initiatives and lead to large-scale product recalls or product liability compensation. This could have a serious impact on the Group's reputation in society and result in its business performance and financial position being adversely affected. In addition, while pharmaceutical drugs undergo strict safety testing at the developmental stage and are screened by concerned authorities before reaching approval, it is not uncommon that new side effects are discovered as a result of having accumulated post-marketing usage data. The discovery of unanticipated side effects post-marketing may have negative consequences for the Group's business performance and financial position.

15. Environmental Issues

The Kirin Group currently complies with all laws regarding waste disposal and sanitation, and engages in comprehensive manifesto management. The Group also strictly complies with various environmental laws concerning the atmosphere, water quality, noise pollution, vibration, odor pollution, soil contamination, and land subsidence. However, the occurrence of environmental pollution or other environmental protection issues and revisions to relevant laws and regulations may necessitate additional capital expenditure. This may negatively impact business performance and the financial position of the Group.

16. Information Leakage and Information Systems

The Kirin Group, in addition to important information relating to Group management, retains a range of other detailed information about companies and individuals. The Group manages such information in accordance with applicable laws and regulations, and emphasizes the importance of correct information management through employee training programs and other such measures, as well as having systems-related security policies and structures in place. The Group has information systems for sharing information and business efficiency, and takes measures to maintain stable operation of the systems. However, there is a possibility that computer viruses, unauthorized access, natural disasters, or other events could cause loss, leakage, or alteration of information, or that systems could stop or become temporarily unserviceable. Any such problems may have an adverse impact on the Group's business performance and financial position.

Group Companies

(As of December 31, 2015)

The Kirin Group is headed by Kirin Holdings Company, Limited, a pure holding company, which has 211 consolidated subsidiaries and 15 affiliated companies accounted for using the equity method.

Company name	Location	Description of business	Percentage of holding
Japan integrated beverages			
Kirin Company, Limited	Tokyo, Japan	Management and provision of specialized services for Japan Integrated Beverages Business	100.0
Kirin Brewery Company, Limited	Tokyo, Japan	Manufacturing and sales of beer and other alcoholic beverages, etc.	100.0
Kirin Beer Marketing Company, Ltd.	Tokyo, Japan	Marketing and sales promotion for beer and other alcoholic beverages	100.0
Mercian Corporation	Tokyo, Japan	Import, manufacturing, and sales of wine and other alcoholic beverages	100.0
Kirin Beverage Company, Ltd.	Tokyo, Japan	Manufacturing and sales of non-alcoholic beverages	100.0
Kirin Beverage Value Vendor Company, Limited	Tokyo, Japan	Planning and sales of non-alcoholic beverages and food products to sell via vending machines	100.0
Kirin Distillery Co., Ltd.	Shizuoka, Japan	Manufacturing of domestically produced whiskey and spirits, etc., at the Fuji-Gotemba Distillery	100.0
SPRING VALLEY BREWERY COMPANY	Tokyo, Japan	Development of <i>SPRING VALLEY BREWERY</i> brand craft beer products, and planning, operation, and management of restaurants attached to microbreweries	100.0
YO-HO BREWING COMPANY*	Nagano, Japan	Manufacturing and sales of craft beer	33.3
1 Kirin (China) Investment Co., Ltd.	Shanghai, China	Administration of alcoholic beverages business in China, identification of new investment opportunities and other business development activities in China, sales of Kirin brand products in the Yangtze River Delta Economic Zone	100.0
Kirin Brewery (Zhuhai) Co., Ltd.	Guangdong, China	Manufacturing and sales of beer	100.0
2 Taiwan Kirin Co., Ltd.	Taipei, Taiwan	Import and sales of Kirin brand products in Taiwan	100.0
3 Kirin Europe GmbH	Düsseldorf, Germany	Administration of local manufacturing and sales of Kirin brand products in Europe	100.0
4 Kirin Brewery of America, LLC	California, U.S.A.	Marketing of Kirin brand products in the United States, exports to North and South America	100.0
5 Four Roses Distillery, LLC	Kentucky, U.S.A.	Manufacturing and sales of bourbon whiskey	100.0
Oceania integrated beverages			
6 Lion Pty Ltd	New South Wales, Australia	Ownership and management administration of operating companies in Oceania (alcoholic beverages, dairy products, juice beverages businesses)	100.0
Lion-Beer, Spirits & Wine Pty Limited	New South Wales, Australia	Manufacturing and sales of beer and other alcoholic beverages in Australia	100.0
Lion-Dairy & Drinks Pty Ltd	Victoria, Australia	Manufacturing of dairy products and drinks, etc., in Australia	100.0
Lion-Beer, Spirits & Wine (NZ) Limited	Auckland, New Zealand	Manufacturing and sales of beer and other alcoholic beverages in New Zealand	100.0
Other overseas integrated beverages			
7 Brasil Kirin Holdings S.A.	São Paulo, Brazil	Manufacturing and sales of beer and non-alcoholic beverages in Brazil	100.0
8 Kirin Holdings Singapore Pte. Ltd.	Singapore	Formulation and implementation of integrated beverage business strategies in Southeast Asia	100.0
9 Myanmar Brewery Limited	Yangon, Myanmar	Manufacturing and sales of beer in Myanmar	55.0
10 Interfood Shareholding Company	Dong Nai, Vietnam	Manufacturing and sales of non-alcoholic beverages and food products in Vietnam	95.7
11 San Miguel Brewery Inc.*	Metro Manila, Philippines	Manufacturing and sales of beer in the Philippines	48.6
12 China Resources Kirin Beverages (Greater China) Company, Limited*	British Virgin Islands	Manufacturing and sales of non-alcoholic beverages	40.0
13 The Coca-Cola Bottling Company of Northern New England, Inc.	New Hampshire, U.S.A.	Manufacturing and sales of Coca-Cola products and other non-alcoholic beverages in seven states in the northeastern region of the United States	100.0
Indústria Agrícola Tozan Ltda.	São Paulo, Brazil	Manufacturing and sales of sake and food products in Brazil	100.0

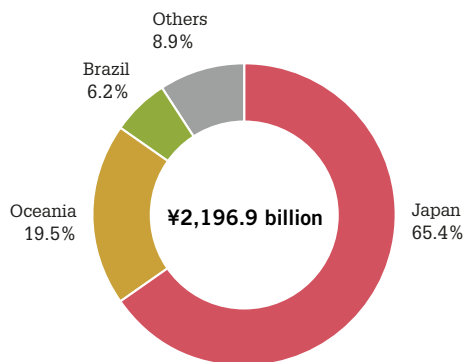
Company name	Location	Description of business	Percentage of holding
Pharmaceuticals and bio-chemicals			
Kyowa Hakko Kirin Co., Ltd.	Tokyo, Japan	Manufacturing and sales of ethical pharmaceuticals	53.1
14 ProStrakan Group plc	Scotland, U.K.	Administration and management of subsidiaries conducting development and sales of ethical pharmaceuticals	100.0
Kyowa Hakko Bio Co., Ltd.	Tokyo, Japan	Manufacturing and sales of pharmaceutical and industrial raw materials, healthcare products, etc.	100.0
Kirin-Amgen, Inc.*	California, U.S.A.	Research, development, and licensing of pharmaceuticals	50.0
Others			
Koiwai Dairy Products Company, Limited	Tokyo, Japan	Manufacturing and sales of milk, butter, cheese, fermented milk, and other dairy products and of margarine, jam, honey, and other food products	99.9

* Equity-method affiliates

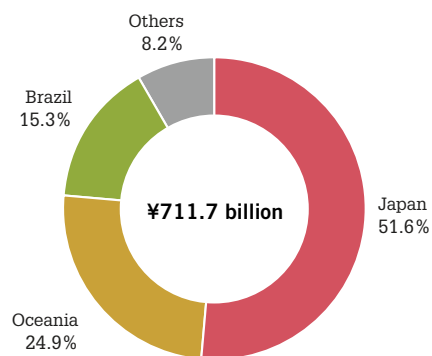


Information by Region

Composition of Sales*



Composition of Property, Plant and Equipment



* Sales are classified into countries and regions based on the location of the customer.

Investor Information

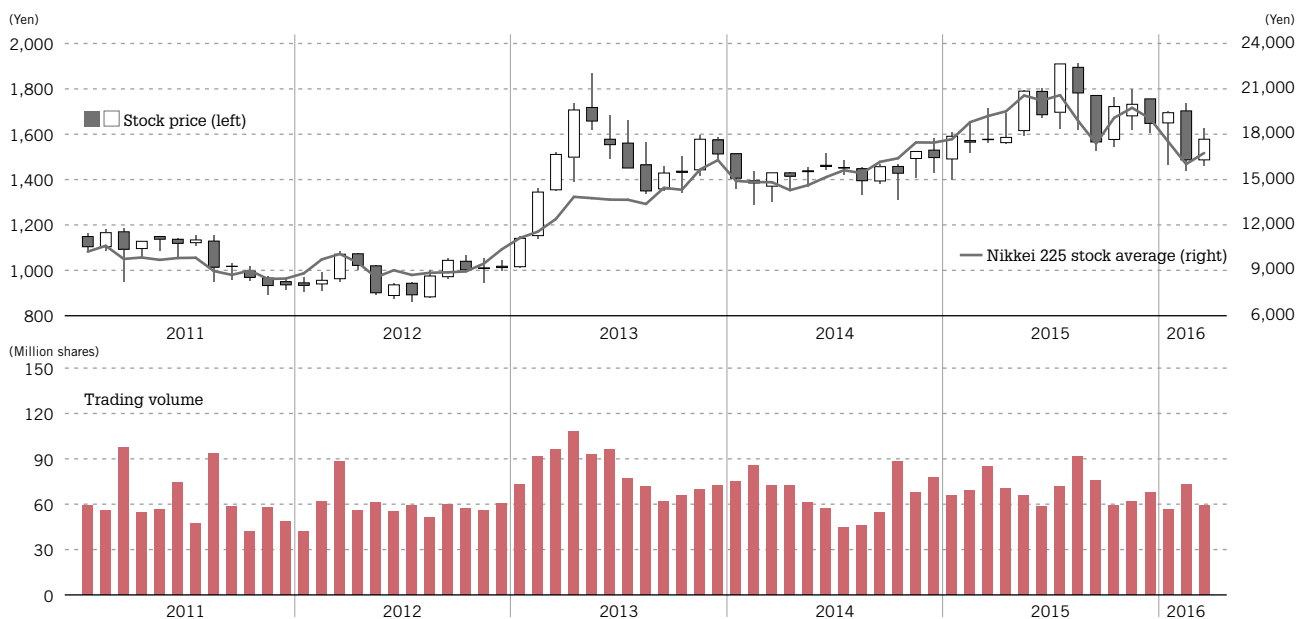
(As of December 31, 2015)

Information Related to Total Shareholders' Return

	2012	2013	2014	2015
Year-end stock price (Yen)	980	1,472	1,441	1,648
Dividends per share (Yen)	29	36	38	38
Cumulative dividend income per share (from fiscal 2013, Yen)	—	36	74	112
Amount of increase in stock price per share (from fiscal 2013, Yen)	—	492	461	668
Total shareholders' return per share*:				
Absolute amount (Yen)	—	528	535	780
Rate (%)	—	53.9	54.6	79.6

* Total shareholders' return per share is calculated at fiscal year-ends, starting in fiscal 2013, as if the investment was made at the closing stock price at the end of fiscal 2012.

Trends in Stock Price and Trading Volume



Trade Name

Kirin Holdings Company, Limited

Head OfficeNAKANO CENTRAL PARK SOUTH,
10-2, Nakano 4-chome, Nakano-ku,
Tokyo 164-0001, Japan**Date of Incorporation**

February 23, 1907

Note: On July 1, 2007, accompanying the shift to a pure holding company structure, Kirin Holdings Company, Limited changed its name from Kirin Brewery Company, Limited.

Paid-In Capital

¥102,045,793,357

Number of Authorized Shares

1,732,026,000

Number of Outstanding Shares

914,000,000

Number of Shareholders

174,974

Number of Employees (Consolidated)

39,888

General Meeting of Shareholders

March 30, 2016

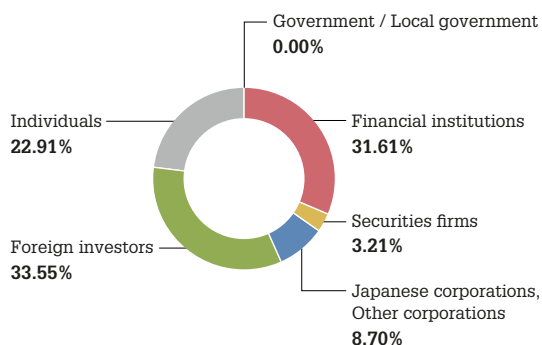
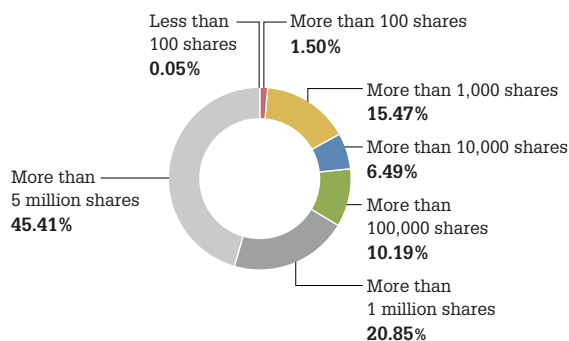
Stock Listings

Tokyo, Nagoya, Fukuoka, Sapporo

Transfer AgentMitsubishi UFJ Trust and Banking Corporation,
Corporate Agency Division,
10-11, Higashi-suna 7-chome, Koto-ku,
Tokyo 137-8081, Japan
Tel: +81-3-6701-5000 (business days from 9:00 to 17:00)**Depository**JPMorgan Chase Bank, N.A.,
JPMorgan Service Center,
P.O. Box 64504, St. Paul, MN 55164-0504, U.S.A.
Tel: +1-800-990-1135 (toll-free)
Tel: +1-651-453-2128 (outside U.S.A.)**Major Shareholders**

Name of Shareholder	Number of Shares Held (Thousand shares)	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan, Ltd. (Trust account)	47,341	5.19%
Japan Trustee Services Bank, Ltd. (Trust account)	34,483	3.78%
Meiji Yasuda Life Insurance Company	32,996	3.62%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,251	2.11%
STATE STREET BANK AND TRUST COMPANY 505225	16,633	1.82%
Japan Trustee Services Bank, Ltd. (Trust account 4)	16,461	1.80%
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	16,087	1.76%
STATE STREET BANK WEST CLIENT – TREATY 505234	12,902	1.41%
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	12,830	1.41%
THE BANK OF NEW YORK MELLON SA/NV 10	10,709	1.17%

Note: As of December 31, 2015, in addition to the shares held as indicated above, the Company held 1,471 thousand shares of treasury stock.

Shareholder Composition**Composition by Number of Shares Held**

KIRIN



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