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**Kirin Group**  
**2019 Medium-Term Business Plan**

# **Shifting Gear from Revitalization to Growth**

**February, 2019**  
**Kirin Holdings Company, Limited**

## Kirin achieved all quantitative targets for the 3-year period

Indicator	Target	Result
ROE	15% plus	17.5%
Normalized EPS	CAGR +6% plus	+12.6%
Consolidated OP	¥196.0 bn plus	¥199.3 bn

- ▶ Clarified key issues and took decisive actions
- ▶ Insisted on committed, results-focused management
- ▶ Engaged closely with stakeholders, especially shareholders and investors

# Review of 2016 Medium-Term Business Plan

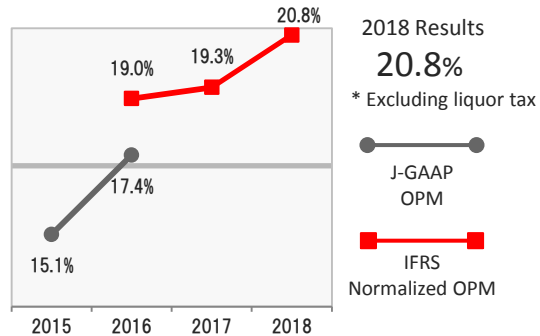
## Significantly improved each business

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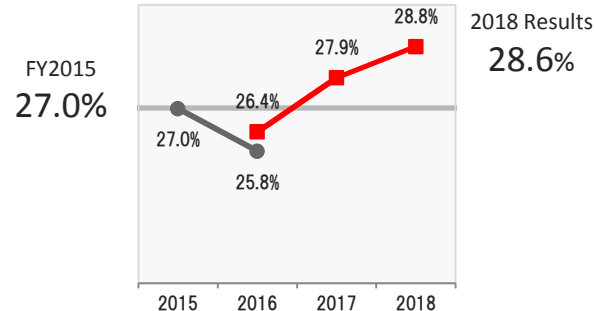


### 1. Beer business: Invest, strengthen and grow profit base

#### Kirin Brewery



#### Lion (Beer, Spirits & Wine)



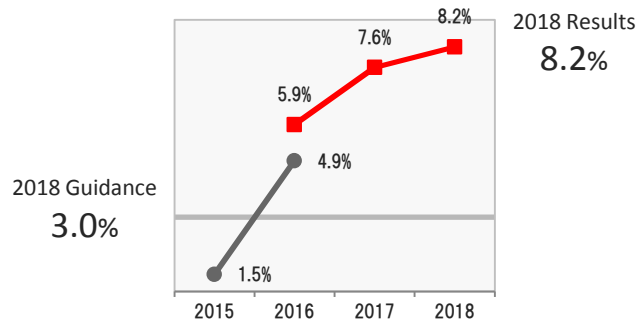
#### Myanmar Brewery

**2018 Guidance:**  
Maintain market position & capture share of market growth

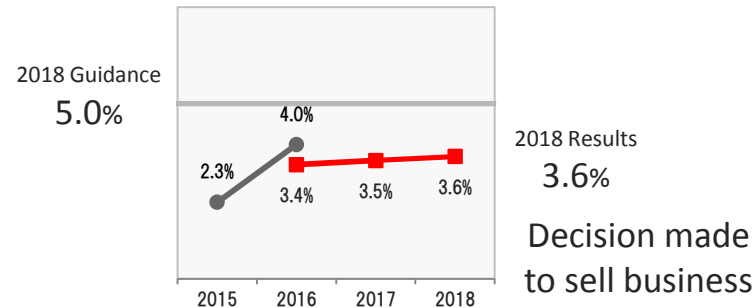
**2018 Results:**  
Acquired a market share of approx. 80%  
Increased production facilities

### 2. Low-profit businesses: Restructure, revitalize

#### Kirin Beverage



#### Lion (Dairy & Drinks)



#### Brasil Kirin

**2018 Guidance:**  
Achieve profit in 2019

Transfer of all shares completed

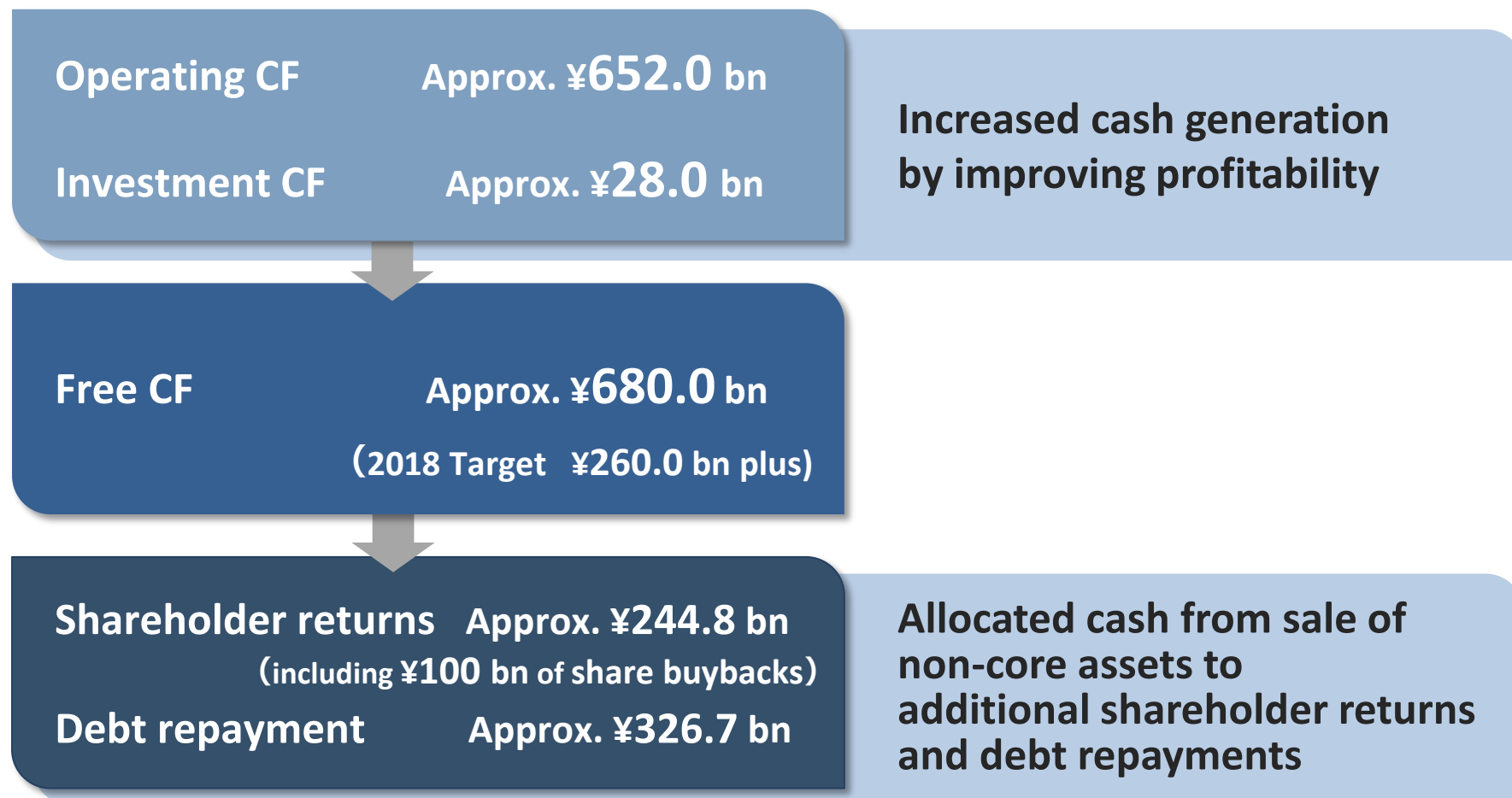
### 3. Pharmaceuticals & Bio-chemicals businesses: Invest to achieve outstanding growth

#### Kyowa Hakko Kirin

Launched global products, Crysvida in Europe and the US, POTELIGEO in the US

## Revitalized Kirin Group through restructuring

- Used outstanding cash-generation abilities of existing businesses to maintain solid financial foundation
- Cash generation greatly exceeded targets, so additional share buybacks were carried out



- Stronger existing core businesses are essential for growth
- Social issues such as QOL and preventative healthcare create growth opportunities bridging food and pharmaceuticals

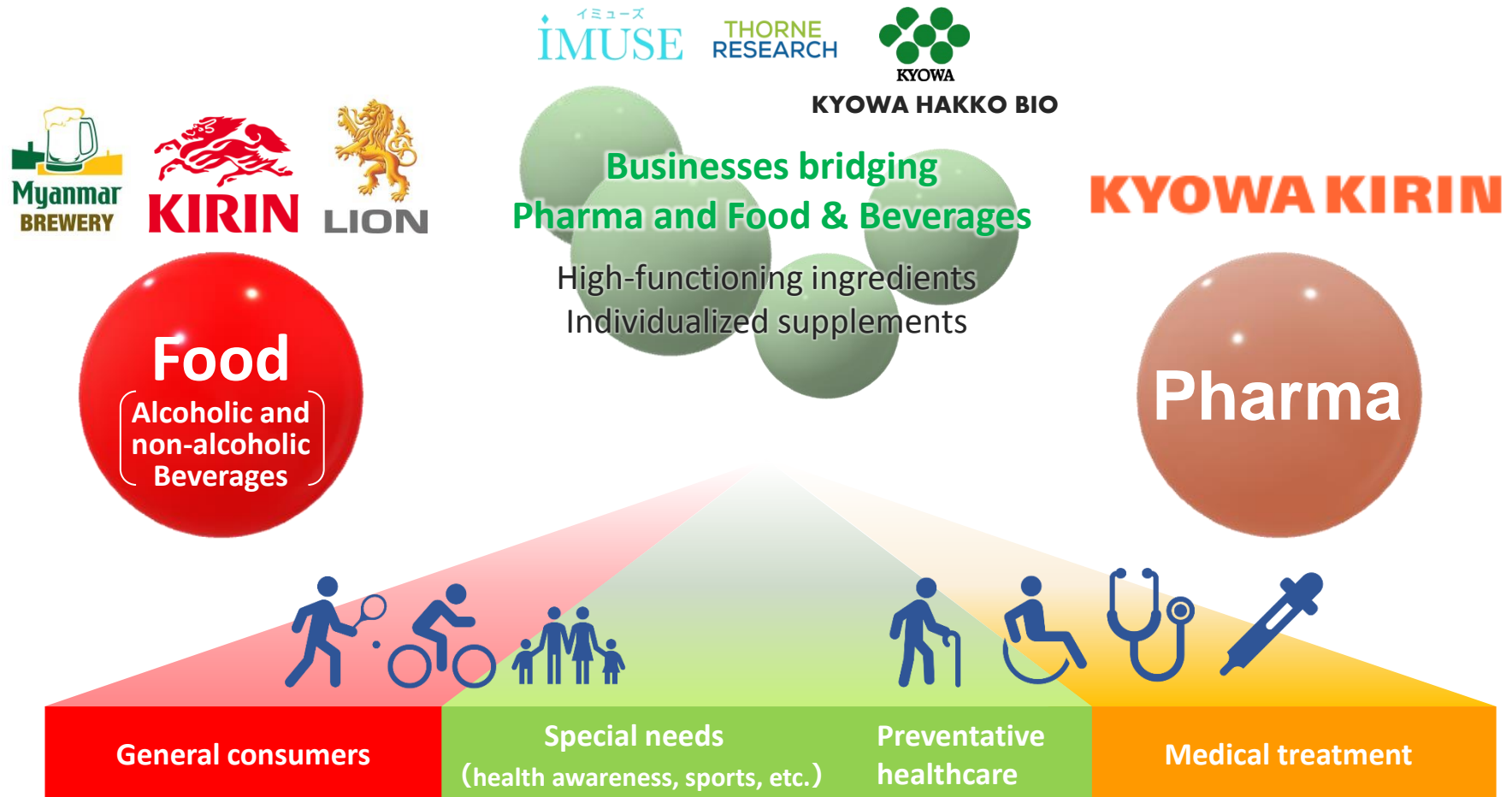
### Changes in society

- ▶ Global increase in natural disasters
- ▶ Greater uncertainty caused by drastic changes in economic systems
- ▶ Corporations expected to contribute to resolving social issues

### Changes in the market

- ▶ Maturation of beer market in developed countries; global shift towards craft beers and premium products
- ▶ Expansion of regulations for alcoholic beverages and mounting pressure to implement sugar tax
- ▶ Introduction of public policies to reduce healthcare costs

## Establish and foster new businesses between Pharmaceuticals and Food & Beverages



## 2019 MTBP is the first stage of KV2027

### Goals for 2027

- ▶ **Construct a business portfolio capable of sustainable growth**
- ▶ **Strengthen organizational capabilities for innovation to transform social issues into growth opportunities for the Group**

### Goals for 2019-2021

- ▶ **Grow profit from existing businesses (Food & Beverages, Pharmaceuticals)**
- ▶ **Establish and foster new businesses bridging Pharmaceuticals and Food & Beverages**

### 2027 vision

**A global leader  
in CSV,  
creating value  
across our world  
of Food &  
Beverages  
to Pharmaceuticals**

## **Shifting Gear from Revitalization to Growth**

- ▶ **Further improve cash generation at existing businesses**
- ▶ **Maximize corporate value by enhancing shareholder returns**
- ▶ **Pursue sustainable growth by combining existing expertise to establish and foster new businesses bridging Pharmaceuticals and Food & Beverages**



Over the course of the next 3 years, more than ¥1 trillion will be allocated for investment in creation of intangible value, growth of existing businesses, and the establishment and promotion of new businesses bridging Pharmaceuticals and Food & Beverages

### Shifting Gear from Revitalization to Growth

#### Achievement of Key Performance Indicators

##### Opportunities

Through the utilization of current assets and investment  
**Establish and foster new businesses bridging Pharma and Food & Beverages**

##### Growth

Through efficient and disciplined investment  
**Profit growth of existing businesses**

- Food: Further strengthen profitability
- Pharmaceuticals: Achieve outstanding growth

##### Foundation

Through continuous investment in the creation of intangible value (brand, R&D, digitalization, HR and organization)  
**Strengthen organizational capabilities for innovation**

**Total investment of more than ¥1 trillion**

- ▶ Aim to improve shareholder value by continuing to grow normalized EPS
- ▶ ROIC has been adopted as a new financial target due to prioritization of growth investment

## Financial Targets

- Normalized EPS CAGR 5% plus
- ROIC 10% plus by FY2021  
(11.9% as of FY2018)

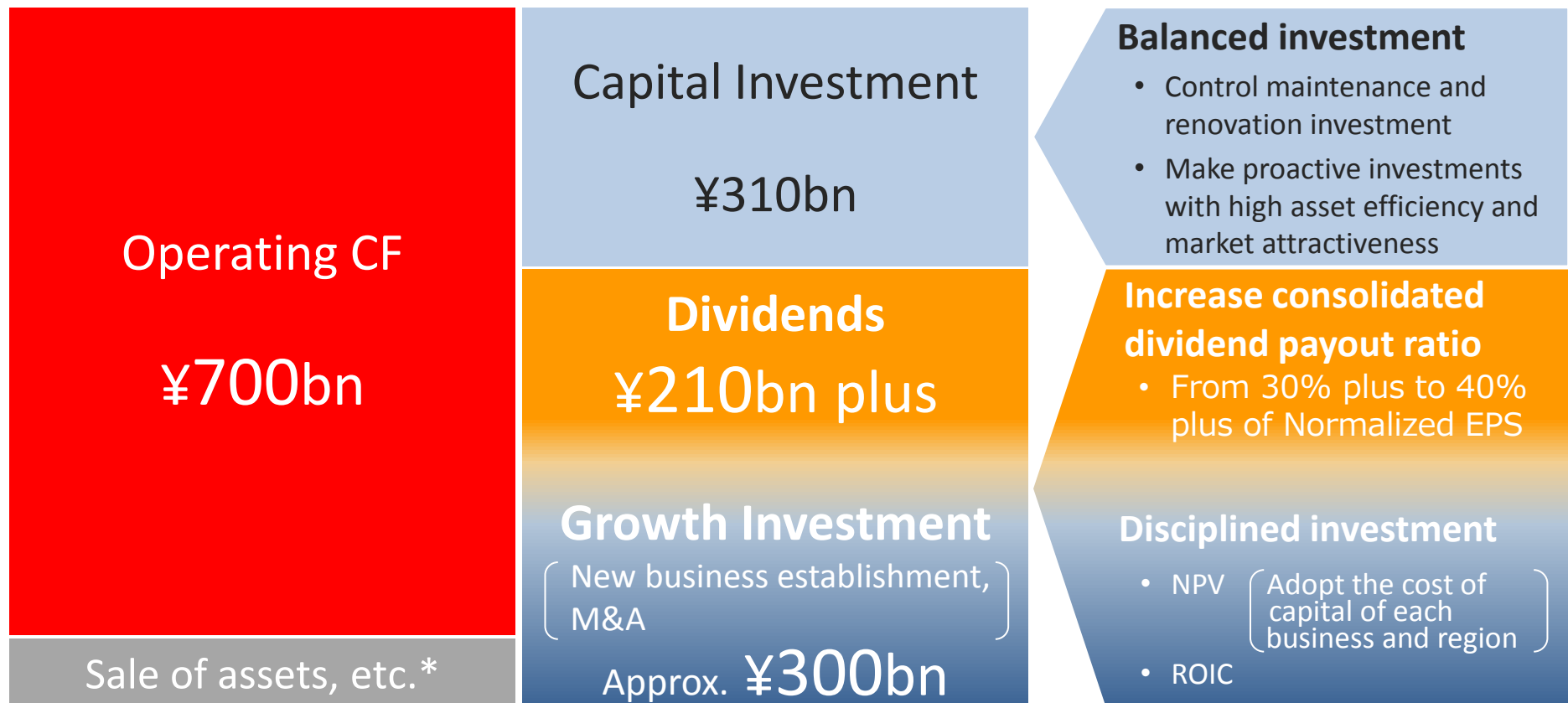
- Notes
1. ROIC = Earnings before interest and after tax / (Average interest bearing debt between the beginning and the end of the FY + average total equity between the beginning and the end of the FY)
  2. FY2018 ROIC is 9.4% if calculated excluding transient impacts such as income from sale of assets, etc.
  3. Normalized operating profit guidance: Assumes mid-single-digit CAGR
  4. Financial indicators are evaluated by excluding the impact of exchange rate fluctuations when overseas subsidiaries are consolidated, etc.

## Non-Financial Targets

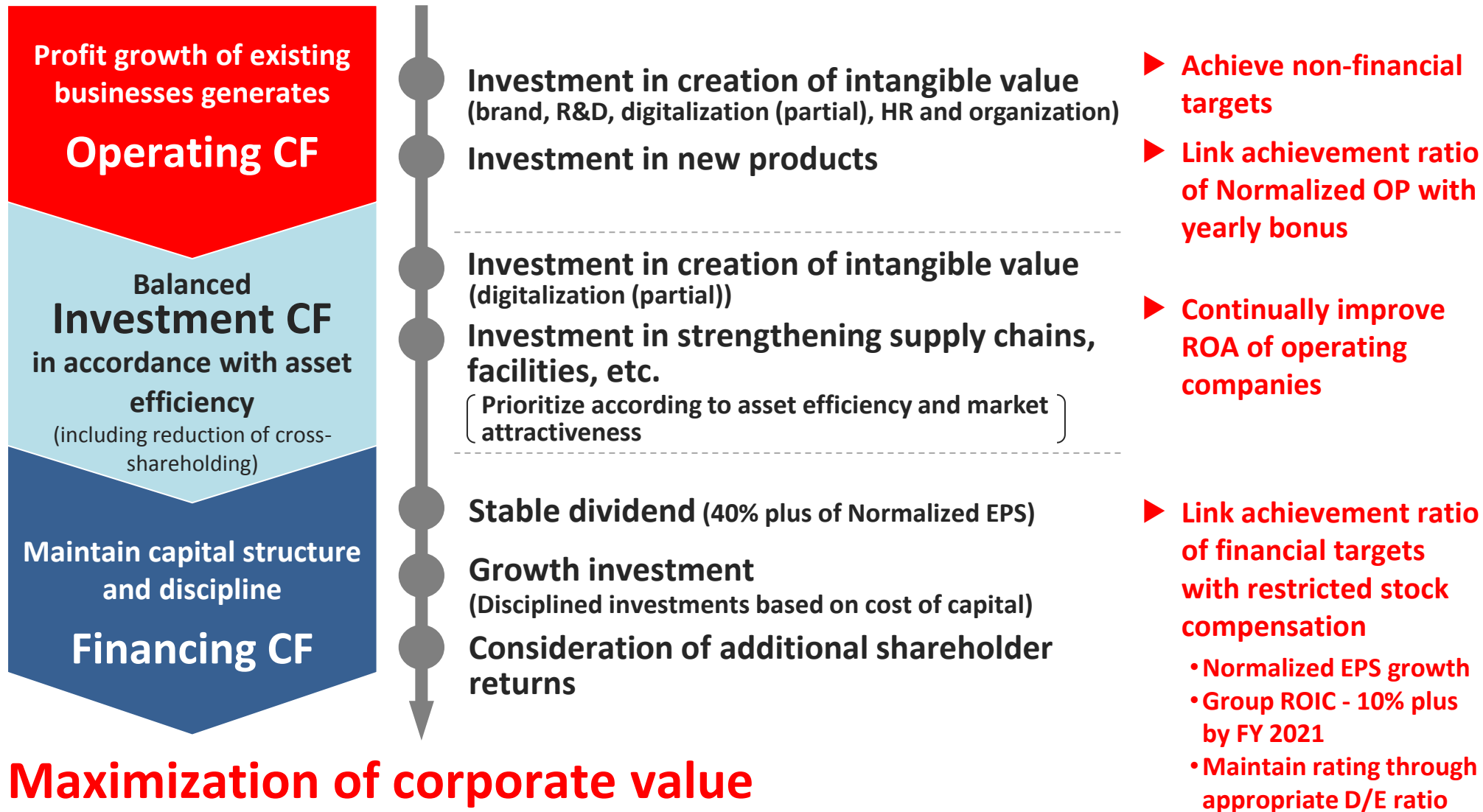
- CSV Commitment
- Corporate Brand Value\* US\$2.2bn plus by FY2021 (\$1.731bn as of FY2018)
- Employee Engagement Score 72% by FY2021 (70% as of FY2018)

\* Use the evaluation of the Kirin brand value in the Brand Ranking created/ released every year by Interbrand Japan

**Prioritize investment to further grow existing businesses while flexibly considering additional shareholder returns**



\* Total sum for sale of Lion Dairy and Drinks, other assets, etc. yet to be determined

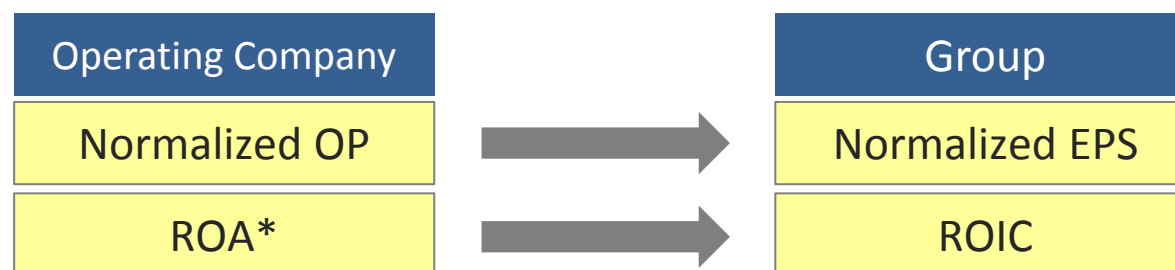


## Performance evaluation for Executive Officer remuneration

Performance-linked remuneration	Performance evaluation indicators	
	2016 MTBP	2019 MTBP
Yearly bonus	<ul style="list-style-type: none"> <li>Consolidated Normalized OP</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated Normalized OP</li> </ul>
Restricted Stock Compensation (restriction period: in principle 3 years)	<ul style="list-style-type: none"> <li>Normalized EPS</li> <li><b>ROE</b></li> </ul>	<ul style="list-style-type: none"> <li>Normalized EPS</li> <li><b>ROIC</b></li> </ul>

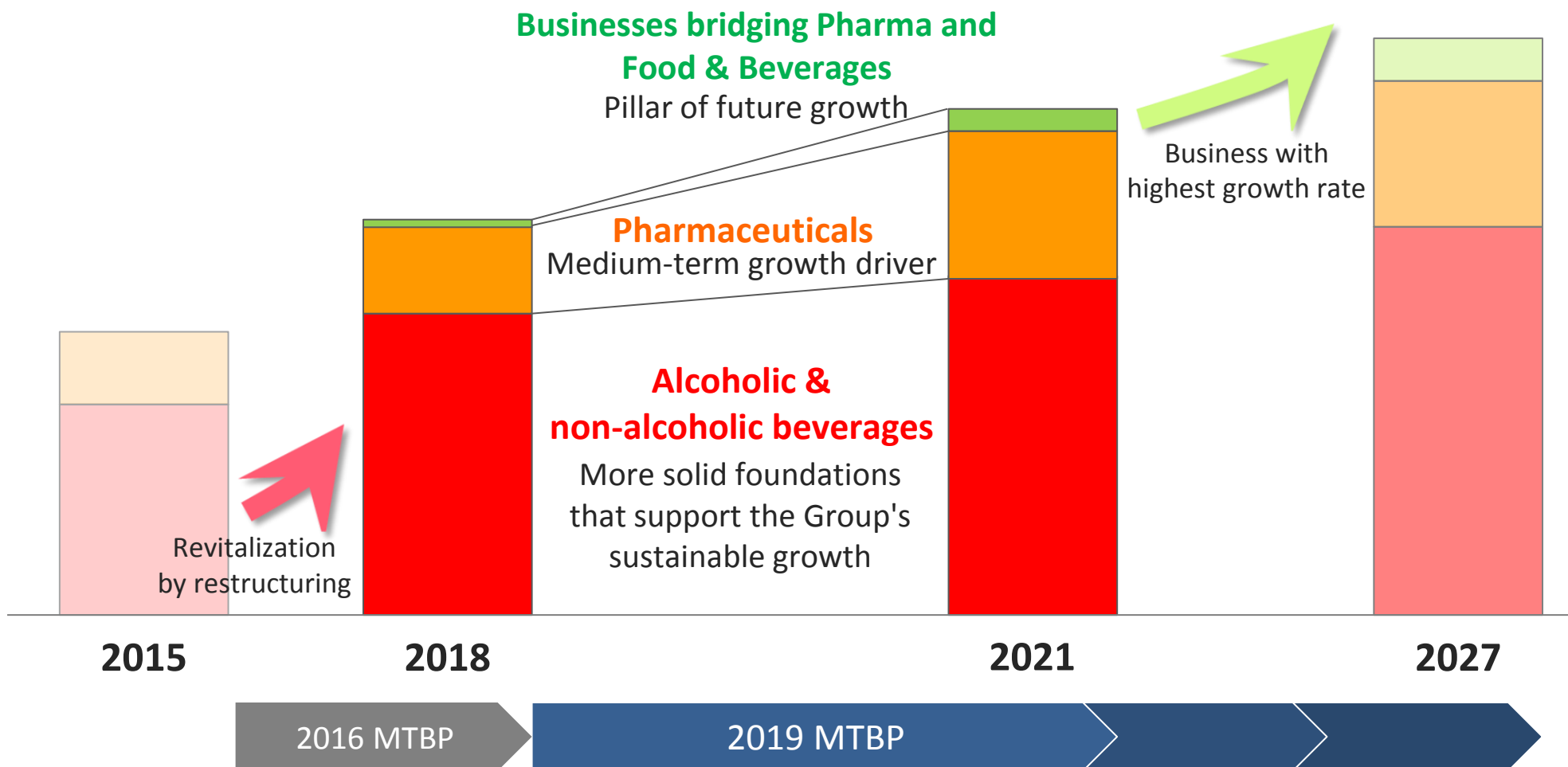
## Performance evaluation of operating companies

Kirin Holdings manages its operating companies according to targets linked to key Group performance indicators



\* Operating company ROA uses EBIT, and is linked to Group ROIC

**Increase Group profit through existing businesses while also creating the drivers of future growth**



## **Food**

Alcoholic &  
non-alcoholic  
beverages

### **Further Strengthen profitability**

- ▶ Establish strong brands and profit base in each country
- ▶ Develop overseas business with focus on high added value categories e.g. craft beer

## **Pharmaceuticals**

### **Achieve outstanding growth**

- ▶ Maximize value of global products
- ▶ Expand pipeline by developing new global products

**Businesses bridging  
Pharmaceuticals and  
Food & Beverages**

### **Establish and foster new pillar**

- ▶ Strengthen business development of ingredients with health benefits
- ▶ Construct a unique Kirin business model

## **Kirin Brewery**

## **Build model for increase in revenue and profit**

### **1. Achieve top-line growth**

- Concentrate investment in core beer, RTD, and non-alcoholic beverage brands to increase total sales volume
- Improve product mix by expanding Kirin's craft beer business through unique efforts such as Tap Marché and programs to support Japanese hop production

### **2. Further improve profitability**

- Optimize brand management to improve marketing ROI
- Increase RTD marginal profit
- Lower costs by improving production efficiency

### **3. Create the next growth driver**

- Work on establishing future growth drivers while also strengthening the business development of Tap Marché and Home Tap



**Lion**

**Maintain high profit margins and acquire a foundation for new growth**

**1. Capitalize on the growing alcoholic beverage market in Oceania**

- Improve product mix by increasing the proportion of products in the contemporary, craft, and premium categories, which are growing in Australia
- Maximize brand value through horizontal development in Australia and NZ

**2. Invest for growth in highly profitable categories**

- Reallocate resources towards high-profit categories after sale of Dairy and Drinks business
- Establish a competitive position in the overseas craft beer market
- Expand craft coffee, Kombucha, and other non-alcoholic beverage businesses

**3. Build a stronger foundation**

- Construct an ICT foundation capable of anticipating consumer behavior
- Improve supply chain efficiency to insulate profits from downward pressure due to changes in external environment

## **Kirin Beverage**

### **Pursue high-profit business model**

#### **1. Build a robust brand portfolio**

- Continue to focus investment on core brands, *Gogo-no-Kocha* (black tea), *Nama-cha* (green tea), and *FIRE* (coffee)
- Accelerate growth by strengthening sugar-free offerings, including those of core brand products
- Cultivate additional sugar-free and healthy brands as pillars of future growth

#### **2. Further improve profitability**

- Improve marketing ROI through integrated marketing that leverages the strengths of digitalization
- Increase cost competitiveness through supply chain optimization and SKU reduction
- Explore alliances with competitors as a means of further cost reduction

#### **3. Create new business opportunities**

- Search for additional opportunities for cooperation overseas; consider expanding exports

## **Myanmar Brewery**

### **Expand customer acquisition through growth investment**

#### **1. Outperform the market**

- Concentrate brand investment primarily on the mainstream category, and secondarily on the economy category
- Strengthen sales promotion activities to expand retail channels
- Use data generated from extensive customer touch points to improve marketing outcomes
- Rebuild corporate brand and raise corporate value by further contributing to the resolution of social issues in Myanmar

#### **2. Further improve profitability**

- Minimize manufacturing costs and the impact of personnel increases by optimizing product inventory, increasing the ratio of domestically procured raw materials, and investing in ICT
- Continue to construct a business model optimized for Myanmar as a whole, including Mandalay Brewery

### **Mercian**

#### **1. Create a high-growth and high-profitability portfolio**

- Prioritize investment in products in each category that have a high profit margin and good brand positioning
- Expand Château Mercian to grow Japan wine and strengthen its positioning
- Develop diverse packaging and other innovations in order to expand the range of consumers in the domestic wine market

#### **2. Improve productivity**

- Continue cost reduction efforts through supply chain

### **CCNNE**

#### **1. Ensure robust PMI**

- Raise marginal profit through increased sales volume in expanded territory and improvements to product mix and unit cost
- Minimize business costs through supply chain optimization and restructuring of operations with a focus on standardization

**Kyowa Hakko Kirin**

**Make a leap forward for Global Specialty  
Pharmaceutical company**

**1. Maximize the value of global products**

- Achieve the launch, market penetration, and indication expansion of Crysvita, POTELIGEO, and KW-6002
- Establish a global organization encompassing Japan, the US, Europe and Asia, responding to the unique characteristics of each market to maximize product value, optimize functionality, and strengthen global compliance

**2. Expand product pipeline through the development of new global products**

- Continue steady development of existing pipeline
- Accompanying the transfer of shares in Kyowa Hakko Bio to Kirin Holdings, concentrate resources on new drug R&D to develop growth pipeline

- ▶ Prioritize investments to further **strengthen profitability of existing businesses**
- ▶ Maximize corporate value through **disciplined investment decisions and enhanced shareholder returns**
- ▶ Reach quantitative targets by continuing Kirin's committed, **results-focused management** approach



**KIRIN**

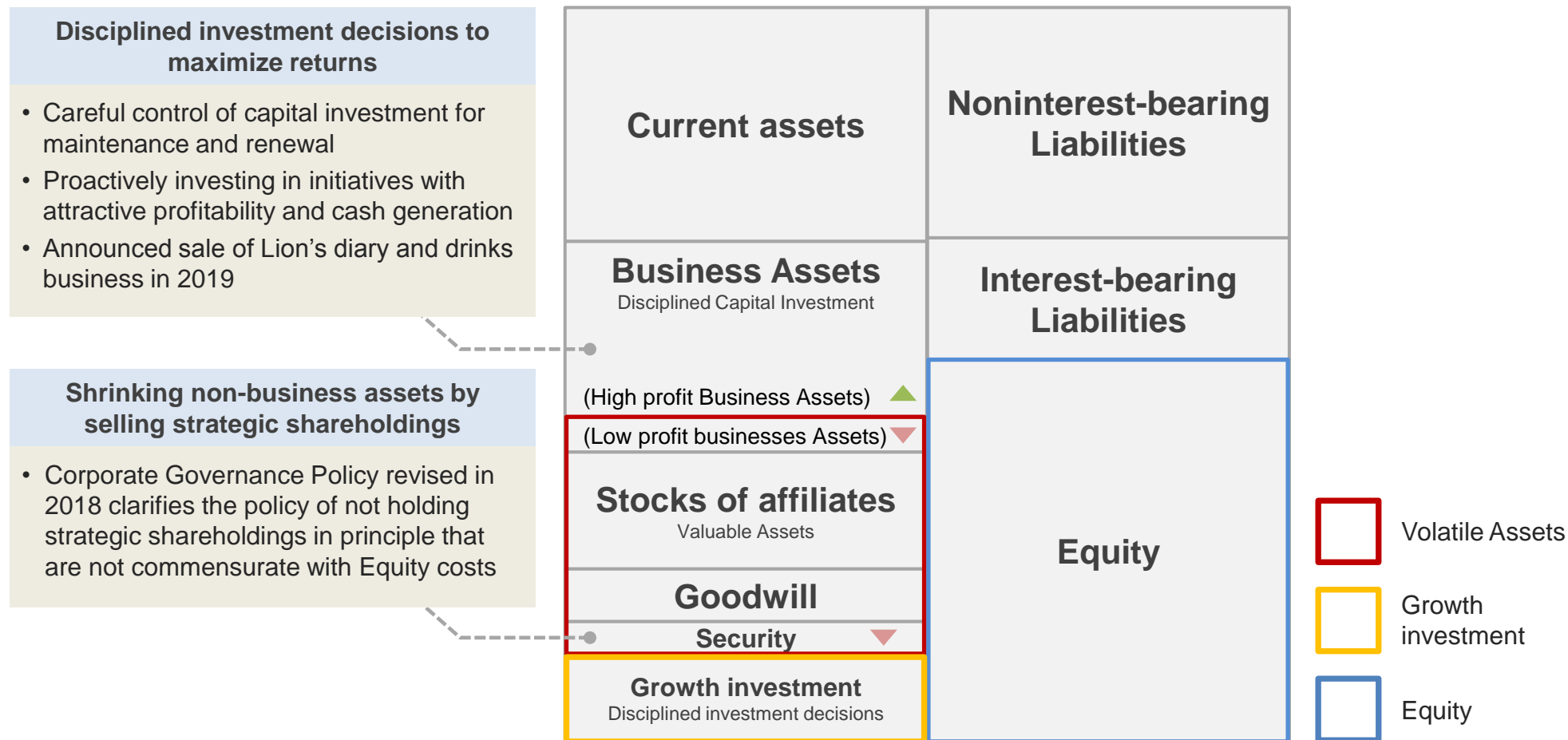
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**Kirin Group**  
**2019 Medium-Term Business Plan**

Supplementary material:  
**Financial Strategy**

# Balance Sheet Targeted in FY2021

**Growth Investments + Volatile Assets are controlled to a level that does not require reliance on interest-bearing liabilities.**



※ Conceptual diagram



# Balance Sheet Targeted in FY2021

## Improve corporate value by investing in growth while maintaining a sound balance sheet

2015

Some volatile Assets depend on Interest-bearing Liabilities

Current assets	Noninterest-bearing Liabilities
Business Assets	Interest-bearing Liabilities
(High Profit Assets)	
(Low Profit Assets)	
Stocks of affiliates	Equity
Goodwill	
Security	

(JGAAP)

2018

Significant improvement in BS under the 2016 MTBP\* by improving or selling low profit businesses

\*Medium-Term Business Plan

Current assets	Noninterest-bearing Liabilities
Business Assets	Interest-bearing Liabilities
(High Profit Assets)	
(Low Profit Assets) ▼	
Stocks of affiliates	Equity
Goodwill	
Security ▼	

(IFRS)

2021e

Growth investment + Volatile assets are controlled to the level of Equity

Current assets	Noninterest-bearing Liabilities
Business Assets	Interest-bearing Liabilities
(High Profit Assets)	
(Low Profit Assets) ▼	
Stocks of affiliates	Equity
Goodwill	
Security ▼	
Growth investment	

(IFRS)

※ Conceptual diagram

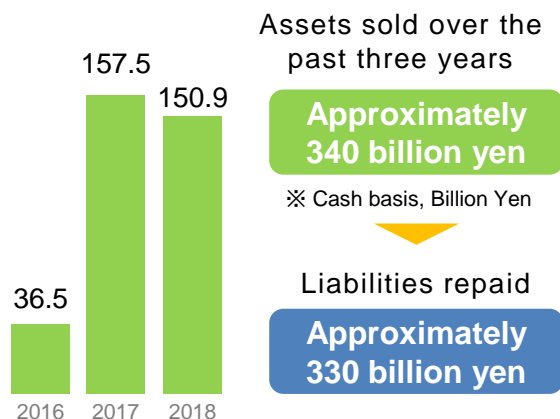
# <Reference> Review of the Previous MTBP

## Strong balance sheet through liquidation of non-core assets and sale of strategic shareholdings

### Sale of non-core assets

Gross debt-to-equity ratio in the 2016 MTBP:

Improvement from 1.14 to **0.45**

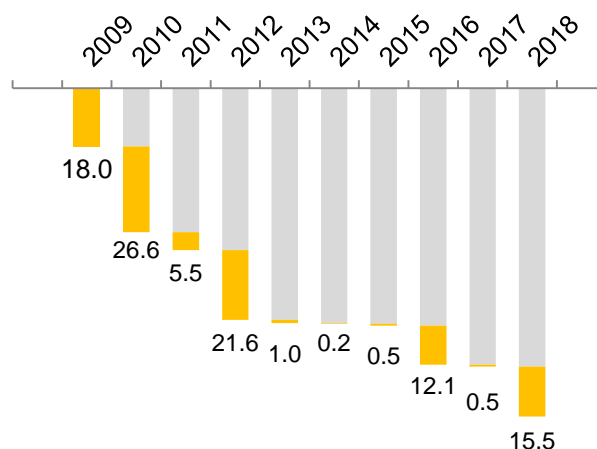


### Reduction of strategic shareholdings

Sale of strategic shareholdings:

Approx. **¥100 billion** in 10 years

※ Cash basis

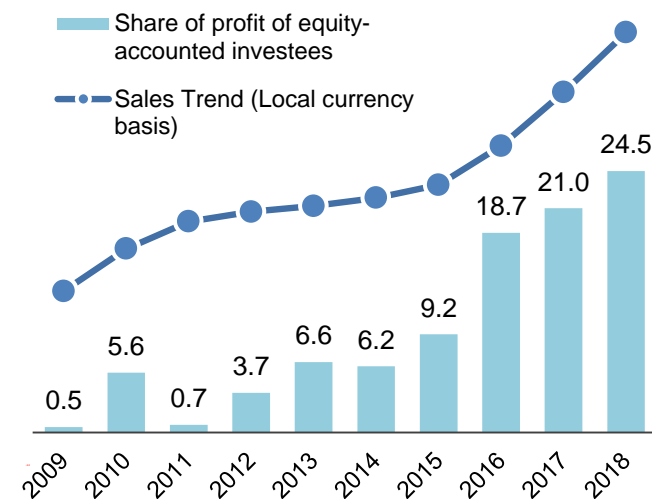


### Contribution from equity-method investees

Consolidated net income from San Miguel Brewery

Approx. **¥100 billion** in 10 years

Equity-method investees



Figures for 2009-2015 are based on Japanese GAAP, and those for 2016-2015 are based on IFRS standards. Under Japanese GAAP, the impact of Goodwill depreciation is included.



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# **KIRIN GROUP**

## **FY2018 Results & FY2019 Plan**

February 14, 2019  
Kirin Holdings Company, Limited

## FY2018 Financial Results

- Consolidated Revenue for FY2018 was +3.6% YoY. Consolidated Normalized Operating Profit (OP) increased +2.4% YoY, achieving a record high.
- Normalized OP ¥199.3 billion, ROE17.5%, Normalized EPS 12.6%, exceeding the medium-term Business Plan (MTBP) target.
- Profit attributable to Owners of the Company decreased due to the reaction to the positive impact of the sale of Brasil Kirin Holding recorded in the previous year (¥85.0 billion).

## FY2019 Plan

- Continue to aim at achieving the top-line growth driven by Kyowa Hakko Kirin and Kirin Brewery.
- Consolidated Normalized OP is expected to decline YoY due to upfront investments aimed at strengthening the foundations for growth from a medium-to long-term perspective, in addition to soaring logistics costs, particularly in Japan.
- Plans to increase the dividend by ¥12 per share by raising the dividend payout ratio from 30% to 40% or more, thereby strengthening shareholder returns.

# 2018 Actual Results

**Improved revenues and earnings. Normalized OP surpassed forecasts and achieved record-high profits.**

(bn yen)	2018 Actual	2017 Actual ※ <sup>1</sup>	YoY	%
Revenue	1,930.5	1,863.7	66.8	3.6%
Normalized OP ※ <sup>2</sup>	199.3	194.6	4.7	2.4%
Profit before tax	246.9	233.7	13.1	5.6%
Profit attributable to owners of the Company	164.2	242.0	-77.8	-32.1%

Includes gain on the sale of shares in Kirin Amgen, etc.  
In the previous year, it includes gain on the sale of Brasil Kirin, etc.

## Quantitative targets

	2018 Actual	2017 Actual	YoY	%
ROE	17.5%	29.1%	-	-
Normalized EPS ※ <sup>3</sup>	167 yen	151 yen	16 yen	10.6%

## Financial Indicators (Reference)

	2018 Actual	2017 Actual	YoY	%
EPS	183.57 yen	265.17 yen	-81.6 yen	-30.8%

※ In accordance with the settlement of the provisional accounting treatment related to the acquisition of a business (CCNNE) conducted in the fiscal year ended December 31, 2017, the financial figures for that year have been revised retroactively.

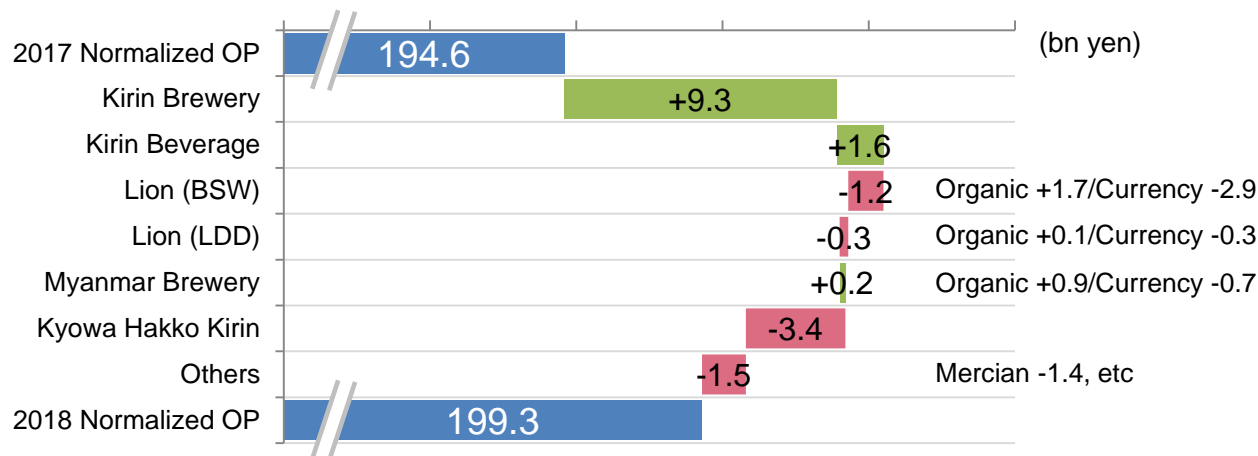
※<sup>2</sup> a profit indicator for measuring recurring performance which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

※<sup>3</sup> See page 18 for details.

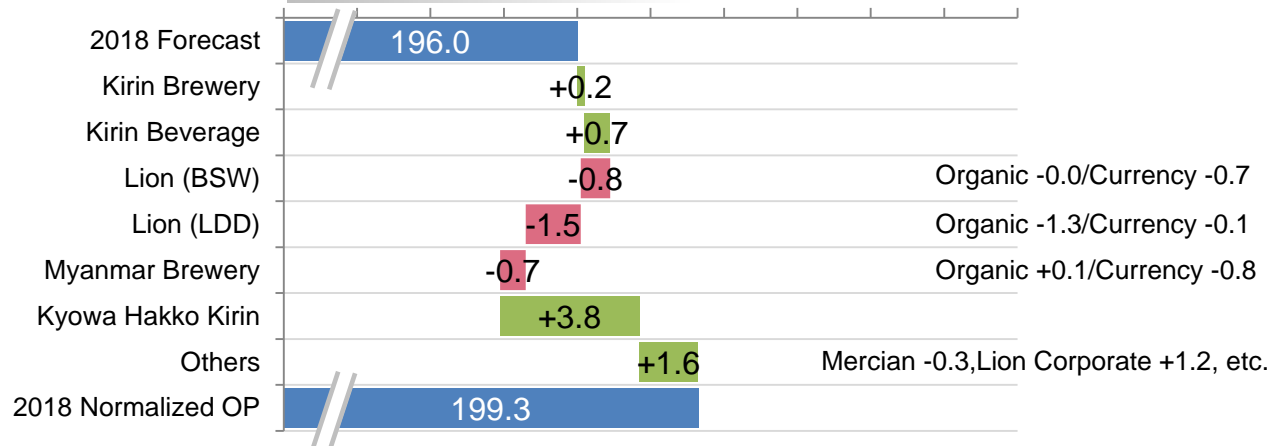
# 2018 Results: Changes in Normalized OP by companies

## Results significantly higher than the previous year and forecast

### Year on Year



### vs Forecast



### YoY

#### Kirin Brewery

- Significant YoY increase due to strong sales of Honkirin launched in March, in addition to support of core brands such as Kirin Ichiban and Nodogoshi.

#### Kirin Beverage

- Sales volume increased YoY, but Mix deteriorated. Profit increased due to a decrease in sales promotion expenses due to the impact of natural disasters and other factors.

#### Lion - Beer, Spirits, and Wine (BSW)

- Sales volume was on par with the previous year. Significant profit growth on a local currency basis due to reductions in overhead costs and other factors.

#### Kyowa Hakko Kirin

- Normalized OP decreased due to lower Revenue and higher promotional expenses.

### vs Forecast

#### Overseas Integrated Beverages

- Foreign exchange fluctuations in the second half resulted in a decline of about 1.6 billion yen compared to forecast.

#### Kyowa Hakko Kirin

- Market penetration of the new drug POTELIGEO, which was launched in October, surpassed expectations, resulting in a significant increase in sales against target.

**Normalized OP is expected to decline due to higher strategic expenses for future growth.**

(bn yen)	2019 Forecast	2018 Actual	YoY	%
Revenue	2,000.0	1,930.5	69.5	3.6%
Normalized OP	190.0	199.3	-9.3	-4.7%
Profit before tax	190.0	246.9	-56.9	-23.0%
Profit attributable to owners of the Company	120.0	164.2	-44.2	-26.9%

In 2018, it includes gain on the sale of shares in Kirin Amgen, etc.

## Quantitative target

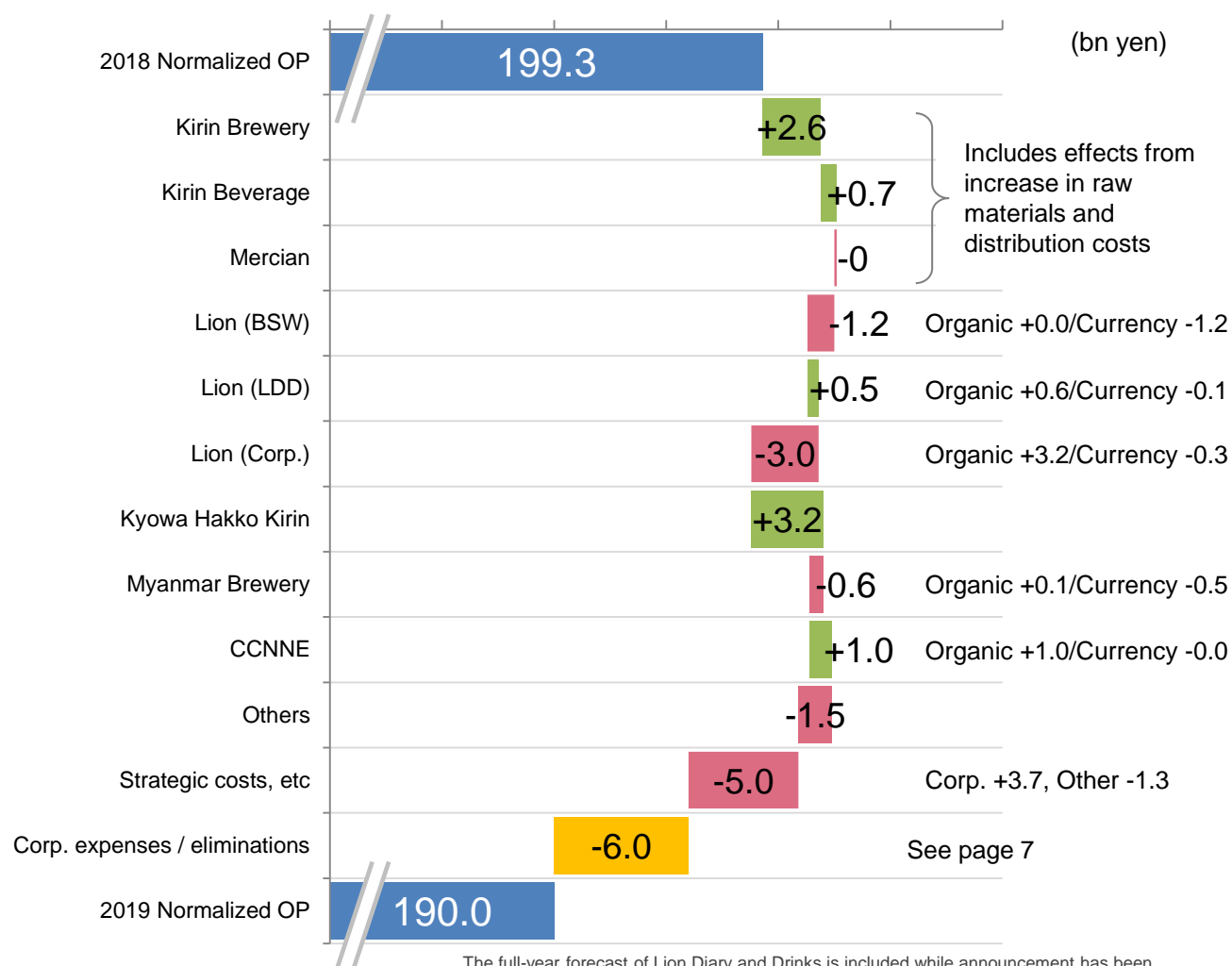
	2019 Forecast	2018 Actual	YoY	%
ROIC	8.8%	11.9%	-	-
Normalized EPS	157 yen	167 yen	-10 yen	-6.0%

## Financial Indicators (Reference)

	2019 Forecast	2018 Actual	YoY	%
EPS	136.67 yen	183.57 yen	-46.9 yen	-25.5%

# 2019 Forecast: Changes in Normalized OP by companies

Normalized OP expected to be decreased due to strategic expenses to achieve medium-term business plan targets



The full-year forecast of Lion Dairy and Drinks is included while announcement has been made to sale the business.  
"Kyowa Hakko Kirin" indicates the total of the Pharmaceuticals and Bio-chemicals segment.

## Description

### Kirin Brewery

- Continue to concentrate investment in core brands to maximize value in existing product portfolio

### Kirin Beverage

- Continue strategy with an awareness of profitability. Expecting higher logistics costs and deteriorating raw material prices

### Lion BSW

- Container Deposit Scheme enforced in Queensland. Maintained profit at the same level as the previous year, excluding the impact of exchange rates.

### Lion Corporate

- Increase in expenses associated with ICT investment, etc.

### CCNNE (Coca-Cola Bottling Company of Northern New England)

- Aiming for higher sales and profits through steady implementation of PMI

### Myanmar Brewery Limited

- Sales growth in the high single digits is expected, but costs are also expected to rise due to higher raw material costs stemming from market conditions and exchange rates.

### Corporate expenses / eliminations

- Mainly due to a change in the direct allocation method of shared system expenses associated with the integration of Kirin Holdings and Kirin Company, Limited (not indicative of increased costs).



## Conduct strategic investments under the direct control of the Group.

Main reason for the increase in corporate expenses related to strategic expenses		
Existing businesses/ Organizational Capabilities	Approx. <b>4</b> billion yen	Digital marketing, human resources, ICT (infrastructure development), etc.
New Businesses	Approx. <b>2</b> billion yen	Businesses bridging Pharma and Food & Beverages, etc.

**Invest intensively and strategically, improving the Group's capabilities to support existing businesses and develop new businesses**

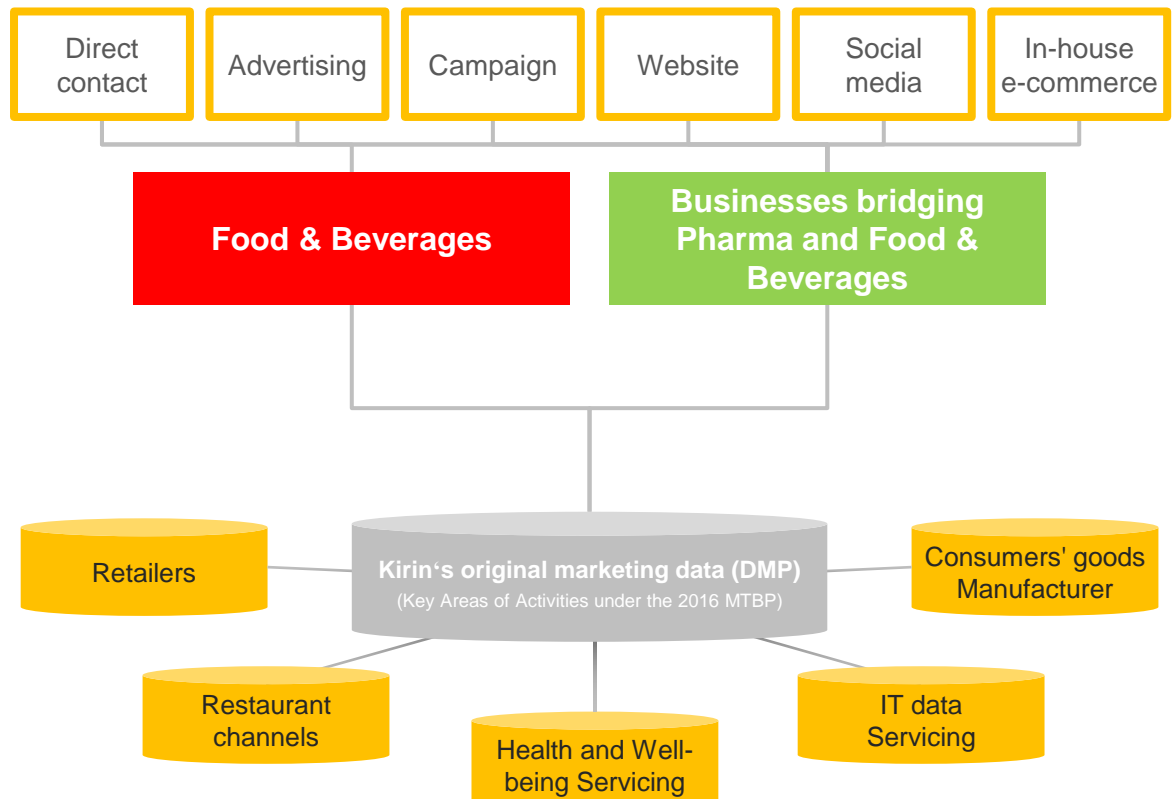
## Strengthening digital platforms that will lead to competitive advantages

### Achieving One to One Communication

ROI analysis by brand,  
Cross-media communication,  
e-commerce infrastructure for  
new businesses, etc.

### Evolving our common data platform by linking with external data sources

Improving the quality of  
marketing data,  
establishment of data analysis  
system, advanced security  
measures, etc.



# 2018 Results: Kirin Brewery



## Kirin Brewery

Focused investment in core brands resulted in higher sales and profits

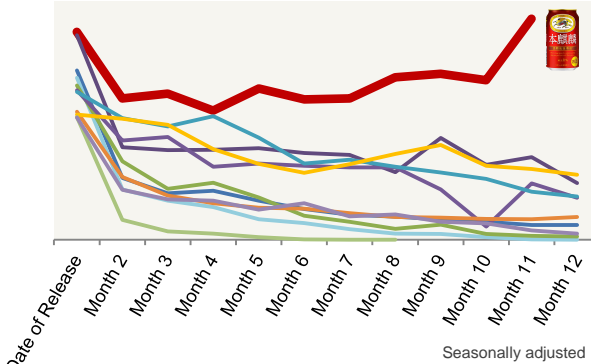
Kirin Ichiban canned product maintained strong momentum in sales

Once-in-a-decade hit product contributed greatly to earnings

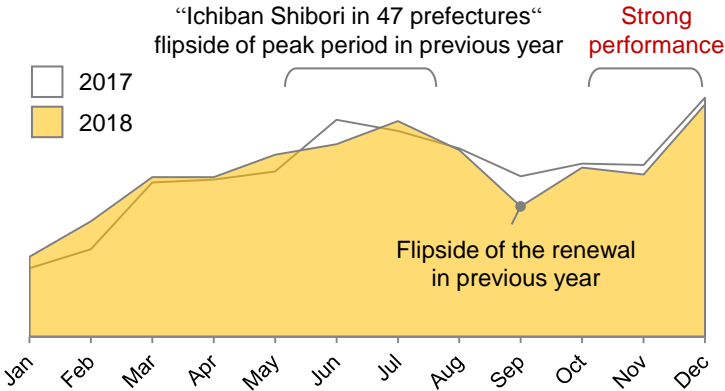


Brewing from only the delicious part of grain - a crisp flavor for your good times.

Sales Volume Trend 12 Months after Launch  
(Comparison with historical products)



Sales Volume of Ichiban Shibori Brand Total Cans



Product name	Launch Date	Sales volume in 12 months
<b>Hon-kirin</b>	2018	<b>128,000 kl</b>
Nodogoshi Special Time	2017	32,000 kl
Sumikiri	2013	82,000 kl
Koi-Aji Delux	2013	33,000 kl
Mugi-no-Gochiso	2012	37,000 kl
Honkaku Karakuchi	2010	66,000 kl
Hop-no-Shinjitsu	2009	25,000 kl
Koku-no-Jikan	2009	79,000 kl
Strong Seven	2008	75,000 kl
Ryoshitu-Sozai	2007	36,000 kl

"Hon-Kirin" was released in March and is calculated up to 11 months after launch.

Thorough analysis of factors behind success/failure for previously marketed products

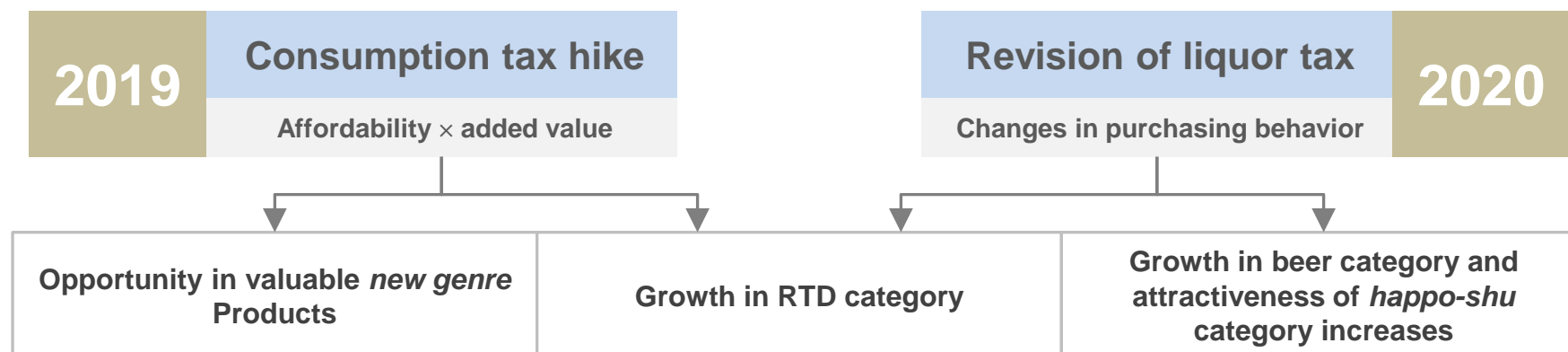


Great results in the first year of sale

# 2019 Plan: Kirin Brewery

## Kirin Brewery

Expand earnings with optimal product portfolios anticipating future changes



Renewal  
From mid-January



Renewal  
From the beginning of April



Renewal  
From the end of February

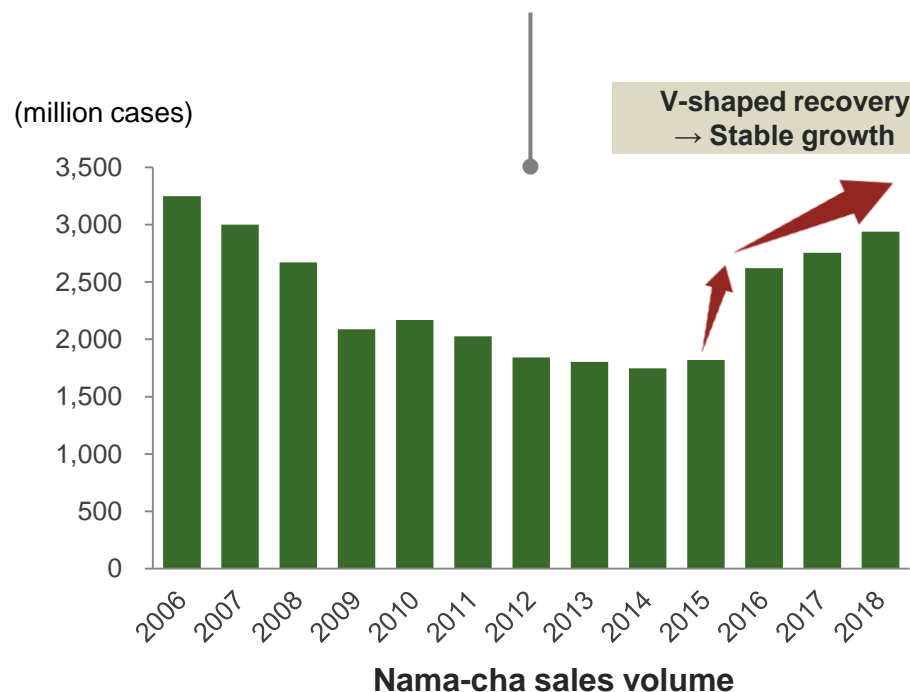
**Continue to invest in core brands, maximizing the value of our existing product portfolio rather than relying on new products**

## Kirin Beverage

Created a strong foundation that can maintain profitability in response to changes in the business environment

### Growth in Existing Domains

- Strong sales of *Gogo-no-Kocha*
- Revival of *Nama-cha* and Kirin Lemon



### Creation of a sustainable structure

- Improvement of profit-and-loss management system
- Management of sales volume targets for highly profitable cans and small PET bottles
- Changes in profit and loss management at each regional headquarters

Sales of small PET containers  
**Results reached the upwardly revised target**

## Kirin Beverage

Strengthen the strategic framework constructed in 2018. Aim to cover increased costs and improve profits

### Cost increase

Distribution cost

Deterioration in  
raw material prices



### Growth in Existing Domains

- Strengthen three core brands
- Strengthen sugar-free and Health and Well-being areas



### Initiatives in New Domains

- Development of KIRIN naturals



### Creation of a Sustainable Structure

- Promotion of SCM cost reduction
- To build a stable distribution network



## Lion BSW

## Strong focus brand performance and growth in craft

### 2018 Strategy

Strengthening brands in focus categories

Improvement in product price/mix through continued investment in craft beer

Cost reduction through business process reforms



Iron Jack **+86%**  
Heineken **+6%**  
Furphy **+125%**  
James Squire **+6%**



### Cost Reduction

- Supply Chain
- Non-Manufacturing Overheads
- Marketing Spend

Decreased sales of Classic categories and the effect of the CDS was offset by strong performance of focus brands

Profit increased due to supply chain initiatives and a focus on overhead cost management

**Normalized operating profit increased by AUD\$22m (+3.7%)**

## Lion

Grow focus categories and execute our global craft beer strategy

### Build our brands to grow the core

Beer



Continue to drive strong profit growth across core alcohol business in Australia and New Zealand

- New Contemporary product, coming soon... -

### Accelerate new avenues for growth

Premium Crafted Adult Beverages

Build a leading Global Craft Beer Business



Continue to invest in avenues for growth by executing our global craft beer strategy

### Investment for a sustainable business

Establish & Leverage technology for the future

Business Transformation

### Investment in technology to create a platform for growth

Investment in a platform across the Oceania business to give first class data insights and digital transformation



# 2018 Results / 2019 Plan: Pharmaceuticals and Bio-Chemicals

## Kyowa Hakko Kirin 2018

Launched global strategic products in EU/US, and started sales of biosimilars

Name	<b>Crysvita</b> ※ <sup>1</sup> (KRN23)	<b>POTELIGEO</b> ※ <sup>2</sup> (KW-0761)		<b>Hulio</b> ※ <sup>3</sup> (FKB327)
Country Covered	EU / US	US	EU	EU
Status	Approval / Launched	Launched	Approval	Launched

※<sup>1</sup> Drug to treat X-linked hypophosphatemia (XLH), an uncommon, primarily genetic disorder that inhibits growth and retention of bones.

※<sup>2</sup> Medicine to treat certain hematologic cancer.

※<sup>3</sup> Drugs for the treatment of rheumatoid arthritis and psoriasis.

## Kyowa Hakko Kirin 2019

Aim for Further Leaps Forward as a Global Specialty Pharmaceutical company

### Maximize the value of global strategic products

- Crysvita Continue to penetrate markets
- POTELIGEO Planned to launch in EU
- KW-6002 Planned to file for regulatory approval in US

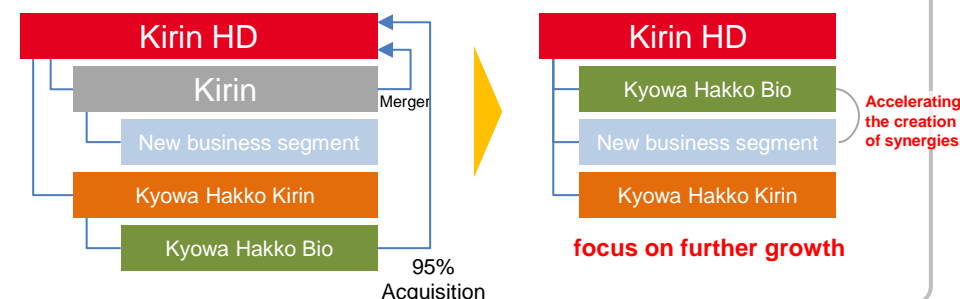
### Establish the "One Kyowa Kirin" structure

- Establish North America as an independent region
- Management on a matrix of regional x functional axis (Japan, EMEA, North America, Asia/Oceania)

※ EMEA (Europe/Middle East/Africa)

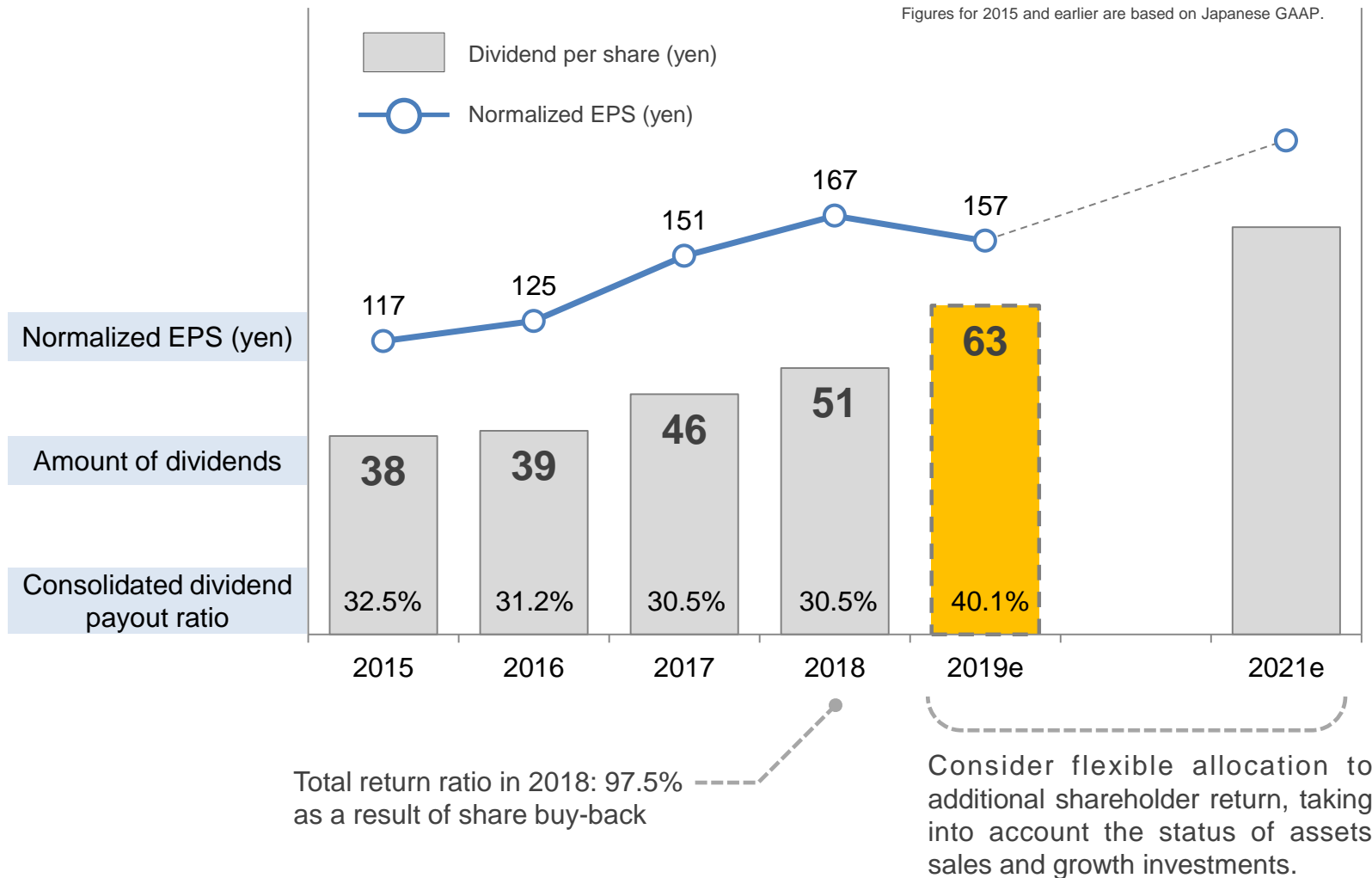
### Kirin HD's Acquisition of Kyowa Hakko Bio

Maximize the corporate value of Kyowa Hakko Bio, and focus Kyowa Hakko's resources on Pharma business



The segment change is expected after the end of April 2019, when the company plans to acquire shares.

## Raise Consolidated dividend payout ratio to 40% or more of Normalized EPS. Planned dividend increase of ¥12



# Appendix

# Details of the Normalized EPS

Normalized EPS			
(bn yen)		2018 Actual	2017 Actual
Profit attributable to Owners of the Company	①	164.2	242.0
Profit attributable to Non-controlling interests	②	-	85.0
Other operating income/expenses after taxes and other adjustments	③	-14.5	-19.1
Normalization profit	④ = (① - ②) + ③	149.7	137.9
Average number of shares during the period ('000)	⑤	894,506	912,579
Normalized EPS (yen)	④ ÷ ⑤	167 yen	151 yen

# 2018 Actual Results - Revenue

(bn yen)	2018 Actual	2017 Actual	YoY	%
Revenue	1,930.5	1,863.7	66.8	3.6%
Japan Integrated Beverages	1,078.3	1,051.0	27.4	2.6%
Kirin Brewery	668.1	647.0	21.1	3.3%
Kirin Beverage	284.8	285.7	-0.9	-0.3%
Mercian	64.8	65.3	-0.5	-0.8%
Other and elimination	60.7	53.0	7.7	14.5%
Overseas Integrated Beverages	496.9	448.6	48.3	10.8%
Lion	329.5	348.7	-19.1	-5.5%
Beer, Spirits, and Wine	185.4	195.3	-9.9	-5.1%
Dairy and Drinks	144.2	153.4	-9.2	-6.0%
Myanmar Brewery	26.2	25.6	0.6	2.2%
Other and elimination	141.2	74.3	66.9	90.0%
Pharmaceuticals and Bio-chemicals	339.3	346.7	-7.4	-2.1%
Kyowa Hakko Kirin	347.3	354.2	-6.9	-2.0%
Pharmaceutical	270.4	274.8	-4.3	-1.6%
Biochemicals	76.8	79.4	-2.6	-3.2%
Other and elimination	-8.0	-7.5	-0.5	-
Other	16.0	17.5	-1.5	-8.4%

# FY2019 Forecast-Revenue

(bn yen)	2019 Forecast	2018 Actual	YoY	%
Revenue	2,000.0	1,930.5	69.5	3.6%
Japan Beer and Spirits	700.3	685.1	15.2	2.2%
Kirin Brewery	682.0	668.1	13.9	2.1%
Other and elimination	18.3	17.0	1.3	7.8%
Japan Non-alcoholic Beverages	290.3	283.0	7.4	2.6%
Kirin Beverage	292.2	284.8	7.4	2.6%
Elimination	-1.9	-1.9	-0.0	-
Oceania Integrated BeveragesDrinks	329.1	329.5	-0.4	-0.1%
Lion	329.1	329.5	-0.4	-0.1%
Beer, Spirits, and Wine	185.8	185.4	0.4	0.2%
Dairy and Drinks	143.3	144.2	-0.8	-0.6%
Pharmaceuticals and Bio-chemicals	373.5	339.3	34.2	10.1%
Pharmaceuticals (Kyowa Hakko Kirin)	304.0	270.4	33.6	12.4%
Bio-Chemicals (Kyowa Hakko Bio)	77.0	76.8	0.2	0.2%
Others	-7.5	-8.0	0.5	-
Other	306.8	293.7	13.1	4.5%
Mercian	66.7	64.8	1.9	2.9%
Myanmar	28.3	26.2	2.1	8.0%
CCNNE	138.1	131.7	6.3	4.8%
Other and elimination	73.8	71.0	2.8	3.9%

# 2018 Actual-Normalized OP

(bn yen)	2018 Actual	2017 Actual	YoY	%
Normalized OP	199.3	194.6	4.7	2.4%
Japan Integrated Beverages	81.2	72.5	8.6	11.9%
Kirin Brewery	80.9	71.6	9.3	13.0%
Kirin Beverage	23.3	21.7	1.6	7.5%
Mercian	2.6	3.9	-1.4	-34.4%
Others	-25.7	-24.7	-0.9	-
Overseas Integrated Beverages	65.1	66.3	-1.3	-1.9%
Lion	51.7	52.6	-0.9	-1.7%
Beer, Spirits, and Wine	53.3	54.5	-1.2	-2.2%
Dairy and Drinks	5.1	5.4	-0.3	-4.9%
Corporate	-6.8	-7.3	0.5	-
Myanmar Brewery	10.1	9.9	0.2	2.1%
Others	3.3	3.9	-0.6	-14.7%
Pharmaceuticals and Bio-chemicals	58.8	62.2	-3.4	-5.5%
Kyowa Hakko Kirin	58.8	62.2	-3.4	-5.5%
Pharmaceutical	50.4	55.0	-4.6	-8.4%
Biochemicals	8.1	7.2	0.9	13.1%
Others	0.3	0.0	0.2	2223.7%
Other	0.4	0.9	-0.5	-57.6%
Corporate expenses/inter-segment eliminations	-6.1	-7.3	1.3	-

# FY2019 Forecast-Normalized OP

(bn yen)	2019 Forecast	2018 Actual	YoY	%
Normalized OP	190.0	199.3	-9.3	-4.7%
Japan Beer and Spirits	84.7	82.7	2.0	2.4%
Kirin Brewery	83.5	80.9	2.6	3.2%
Others	1.2	1.8	-0.6	-31.9%
Japan Non-alcoholic Beverages	24.0	23.3	0.7	2.9%
Kirin Beverage	24.0	23.3	0.7	2.9%
Oceania Integrated Beverages	48.2	51.8	-3.6	-7.0%
Lion	48.2	51.8	-3.6	-7.0%
Beer, Spirits, and Wine	52.1	53.3	-1.2	-2.3%
Dairy and Drinks	5.7	5.1	0.5	10.0%
Corporate	-9.6	-6.7	-3.0	-
Pharmaceuticals and Bio-chemicals	62.0	58.8	3.2	5.5%
Pharmaceuticals (Kyowa Hakko Kirin)	54.0	50.4	3.6	7.1%
Bio-Chemicals (Kyowa Hakko Bio)	8.0	8.1	-0.1	-1.6%
Others	-	0.3	-0.3	-
Other	18.4	19.0	-0.6	-3.3%
Mercian	2.5	2.6	-0.0	-1.9%
Myanmar Brewery	9.5	10.1	-0.6	-5.9%
CCNNE	3.8	2.8	1.0	33.5%
Others	2.5	3.5	-0.9	-27.0%
Corporate expenses/inter-segment eliminations	-47.3	-36.3	-11.0	-



# 2018 Actual results: Kirin Brewery

(1,000 KL)	2018 Actual	2017 Actual	YoY
Total beer	1,710	1,626	5.2%
Beer	590	627	-5.9%
Happo-shu	422	455	-7.3%
New genre	698	543	28.5%
RTD	359	318	13.1%
Non-alcohol beverages	39	42	-5.6%

(bn yen)	2018 Actual	2017 Actual	YoY	%
Revenue	668.1	647.0	21.1	3.3%
Revenue excl. liquor tax	389.7	372.1	17.6	4.7%
Normalized OP	80.9	71.6	9.3	13.0%

## Market

- The total beer market declined 2.5% (taxable shipment volume) due to the impact of higher retail prices in line with the enforcement of the revised liquor tax law in June 2017 and sluggish on-premise market including the impact of price revisions for kegs and bottles.
- The RTD market, which continues to grow, has increased by around 13%.

## Description

### Sales volume

- Hon-Kirin, a new genre launched in March drove sales and volume increased approximately 84,000KL (+5.2%) which offset the decline in sales of beer and happo-shu.
- RTD sales also increased significantly (+13.1%) and total beer, RTD and Non-alcohol beverages sales volume increased approximately 6%.

### Performance Supplementary Information

- Increase in marginal profit due to sales volume increase and decrease in sales promotion expenses due to campaign reduction.
- Cost reductions offset the impact of rising raw material prices.

2017 Normalized OP (bn yen)		71.6	Main contents	
YoY change (bn yen)	Increase in marginal profit of alcohol beverages, etc.	4.8	<ul style="list-style-type: none"> <li>Total beer products 2.7 bn yen; sales decrease in beer (37) thousand KL; sales decrease in <i>happo-shu</i> (33) thousand KL; sales increase in new genre 155 thousand KL</li> <li>Total other than beer products 3.0 bn yen; sales increase in RTD 42 thousand KL; sales decrease in non-alcohol beverages (2) thousand KL</li> <li>Difference of change in composite of products, etc. (0.9) bn yen</li> </ul>	
	Decrease in raw material costs, etc.	1.2		
	Decrease in selling expenses	4.8	Decrease in sales promotion expenses 5.1 bn yen; increase in advertising expenses (0.2) bn yen (Total: 66.9 → 62.1 bn yen)	
	Increase in other expenses	-1.5	Increase in consumables expenses, increase in electric cost and fuel cost, etc.	
	Total	9.3		
2018 Normalized OP		80.9		

# 2019 Forecast: Kirin Brewery

(1,000 KL)	2019 Fcst	2018 Actual	YoY
Total beer	1,745	1,710	2.0%
Beer	590	590	-0.0%
Happo-shu	420	422	-0.5%
New genre	735	698	5.2%
RTD	390	359	8.5%
Non-alcohol beverages	39	39	0.8%

(bn yen)	2019 Fcst	2018 Actual	YoY	%
Revenue	682.0	668.1	13.9	2.1%
Revenue excl. liquor tax	398.1	389.7	8.4	2.3%
Normalized OP	83.5	80.9	2.6	3.2%

2018 Normalized OP (bn yen)		80.9	Description
YoY change (bn yen)	Increase in marginal profits such as Beer, Spirits, and Wine	2.5	Total beer: 500 million (decrease in beer: 0,000 kl, decrease in happoshu: 2,000 kl, increase in new genre: 37,000 kl) Total 2.6 billion (RTD up 31,000 kl, non-Al down 0,000 kl) Differences in variety composition, etc., DELTA.600 million
	Increase in raw material costs	-0.3	
	Decrease in selling expenses	0.1	Decrease in sales promotion and advertising expenses (Total 62.1bn → 62.0bn)
	Decrease in Other expenses	0.3	2.4 billion decrease in company-wide expenses, increase in depreciation expenses, increase in electricity and fuel expenses, etc.
Total		2.6	
2019 Normalized OP		83.5	

## Market

- The market for beer products is expected to remain negative at -2% and the RTD market is expected to continue growing at around 6-8%.

## Description

### Sales volume

- Continue to focus investment in core brands. Total beer sales are expected to increase by about 35,000KL (+2%) and RTD sales by about 31,000KL (+8.5%).

### Performance Supplementary Information

- Expecting product mix to be deteriorated due to higher distribution costs. However, the increase in sales volume will offset this deterioration and the will increase marginal profit.
- The effect of rising raw material prices is reduced by cost reductions.
- While investing in areas such as brand enhancement and expansion of craft beer, total sales expenses is expected to be declined slightly as a result of improvement of the efficiency of sales promotion expenses.

# 2018 Actual: Kirin Beverage

Sales Volume (million cases)		2018 Actual	2017 Actual	YoY
Category	Black tea	5,190	5,293	-2.0%
	Japanese tea	3,451	3,086	11.8%
	Coffee	2,632	3,080	-14.5%
	Fruit and vegetable juice	2,530	2,471	2.4%
	Carbonated beverages	2,155	2,110	2.2%
	Functional beverages	1,238	1,004	23.3%
	Water	4,319	4,041	6.9%
	Others	1,801	1,741	3.4%
By container	Can	3,541	3,939	-10.1%
	Large PET bottle	7,911	7,589	4.2%
	Small PET bottle	9,700	9,199	5.4%
	Others	2,165	2,099	3.1%
Total		23,316	22,826	2.1%

(bn yen)	2018 Actual	2017 Actual	YoY	%
Revenue	284.8	285.7	-0.9	-0.3%
Normalized OP	23.3	21.7	1.6	7.5%

2017 Normalized OP (bn yen)		21.7	Description
YoY change (bn yen)	Decrease in marginal profit	-1.6	Increase in sales volume 4.91 million cases, 2.4 bn yen Difference of change in products mix and in composition ratio of containers etc. (4.0) bn yen
	Decrease in raw material costs, etc.	0.3	Decrease in raw material cost 0.5 bn yen; Increase in material cost (0.7) bn yen; Decrease in processing cost 0.5 bn yen
	Decrease in selling expenses	3.5	Decrease in sales promotion expenses 0.9 bn yen; Decrease in advertising expenses 2.6 bn yen (Total: 40.2 → 36.7 bn yen)
	Increase in other expenses	-0.6	Increase in depreciation of vending machines, etc.
Total		1.6	
2018 Normalized OP		23.3	

## Soft drinks Markets

- Estimated to be +2% YoY due to the impact of the extremely hot summer.

## Description

### Sales volume

- Total Soft drinks volumes increased 2.1% from the previous year.
- Nama-cha succeeded in expanding the market, and sales were extremely strong, increasing 7% from the previous year.
- Kirin Lemon, which continued to perform well after the renewal, increased its sales volume, particularly in small containers, and drove carbonated beverages.
- The coffee category declined significantly due to the continued trend of container shifts.

### Performance Supplementary Information

- Marginal profit declined due to difference of change in product mix and in composition ratio of containers etc., but profits increased due to efforts to reduce costs and maximize the cost-effectiveness of investment to brands. Unused selling expenses that could not be invested due to disasters and other factors also uplifted the profit.

# 2019 Forecast: Kirin Beverage

Sales Volume (million cases)		2019 Fcst	2018 Actual	YoY
Category	Black tea	5,339	5,190	2.9%
	Japanese tea	3,558	3,451	3.1%
	Coffee	2,929	2,632	11.3%
	Fruit and vegetable juice	2,509	2,530	-0.8%
	Carbonated beverages	2,161	2,155	0.3%
	Functional beverages	1,178	1,238	-4.9%
	Water	4,249	4,319	-1.6%
	Others	1,678	1,801	-6.8%
By container	Can	3,574	3,541	0.9%
	Large PET bottle	7,933	7,911	0.3%
	Small PET bottle	9,969	9,700	2.8%
	Others	2,125	2,165	-1.8%
Total		23,600	23,316	1.2%

(bn yen)	2019 Fcst	2018 Actual	YoY	%
Revenue	292.2	284.8	7.4	2.6%
Normalized OP	24.0	23.3	0.7	2.9%

2018 Normalized OP (bn yen)		23.3	Description
YoY change (bn yen)	Increase in marginal profit	3.7	Increase in sales volume 2.84 million cases, 1.3 bn yen Difference of change in product mix and in composition ratio of containers etc. 2.3 bn yen
	Increase in raw material costs, etc.	-1.1	Decrease in raw material cost 0.1 bn yen; Increase in material cost (0.9) bn yen; Increase in processing cost (0.3) bn yen
	Increase in selling expenses	-1.9	Increase in sales promotion expenses (1.2) bn yen; Increase in advertising expenses (0.7) bn yen (Total 36.7 → 38.6 bn yen)
	Increase in other expenses	-0.0	Decrease in allocated corporate expenses, 0.8 bn yen; Increase in depreciation of vending machines, etc.
Total		0.7	
2019 Normalized OP		24.0	

## Soft drinks Markets

- ▶ Sales are expected to decline slightly from the previous year's level.

## Description

### Sales volume

- ▶ Aim for +1.2% YoY mainly driven by 3 core brands.
- ▶ Continue to focus on small containers.
- ▶ In addition to core brands, strengthen products in the sugar-free and Health and Well-being areas.

### Other

- ▶ Significant cost increases are expected to materialize as logistics costs continue to soar in recent years. In addition, market conditions for raw materials are expected to deteriorate.
- ▶ Announced to increase the price of large PET container products, but it cannot be able to absorb all of the cost increase this year.
- ▶ Aims to increase profits by increasing sales volume and increasing the composition ratio of small PET containers.

# 2018 Actual: Lion

	Yen base (bn yen)			
	2018 Actual	2017 Actual	YoY	%
Revenue	329.5	348.7	-19.1	-5.5%
BSW	185.4	195.3	-9.9	-5.1%
LDD	144.2	153.4	-9.2	-6.0%
Normalized OP	51.7	52.6	-0.9	-1.7%
BSW	53.3	54.5	-1.2	-2.2%
LDD	5.1	5.4	-0.3	-4.9%
Corp.	-6.8	-7.3	0.5	-

Australian dollar base (millions of Australian dollars)			
2018 Result	2017 Result	YoY	%
4,016	4,044	-27	-0.7%
2,260	2,265	-5	-0.2%
1,756	1,779	-23	-1.3%
632	609	22	3.7%
651	632	19	3.1%
63	62	1	1.1%
-83	-85	2	-

	BSW	LDD
Change in sales volume	-0.1%	-3.9%

Normalized OP YoY Australian dollars	2017 Actual	63.2	6.2
	Change in sales volume	-0.3	-2.7
	Other	2.2	2.8
	2018 Actual	65.1	6.3

## Description

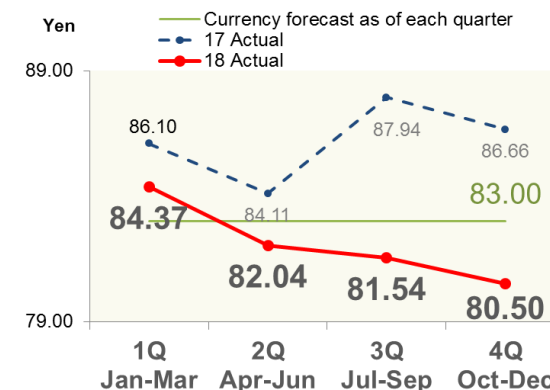
### Lion - BSW

- Revenue remained broadly consistent year on year. Decreased sales from the effect of the Container Deposit Schemes was offset by strong performance of Iron Jack and Furphy brands and contributions from craft beer acquisitions (Fourpure and Harringtons)
- Normalized operating profit increased due to supply chain initiatives and a focus on overhead cost management

### Lion - LDD

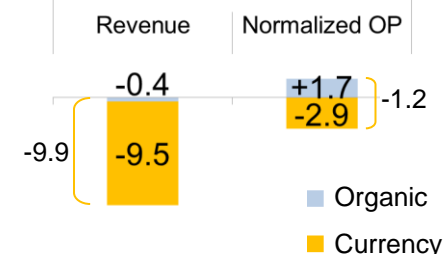
- LDD saw a small decline in revenue predominantly from the Juice category as low margin products were exited in the ambient juice business
- Sales volumes in milk-based beverages and yoghurt which are among LDD's higher margin products continue to grow.
- Net operating profit remained broadly consistent year on year

## Exchange Rate - Australian Dollar

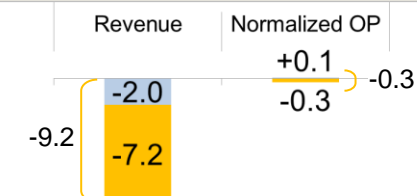


Lion's currency is calculated by accumulating the average rate for each of the three months.

## Impact of Currency BSW (bn yen)



## Impact of Currency LDD (bn yen)



# 2019 Forecast: Lion

	Yen base (bn yen)				Australian dollar base (millions of Australian dollars)			
	2019 Fcst	2018 Actual	YoY	%	2019 Fcst	2018 Actual	YoY	%
Revenue	329.1	329.5	-0.4	-0.1%	4,114	4,016	98	2.4%
BSW	185.8	185.4	0.4	0.2%	2,322	2,260	62	2.8%
LDD	143.3	144.2	-0.8	-0.6%	1,792	1,756	35	2.0%
Normalized OP	48.2	51.8	-3.6	-7.0%	602	634	-31	-4.9%
BSW	52.1	53.3	-1.2	-2.3%	652	651	0	0.1%
LDD	5.7	5.1	0.5	10.0%	71	63	8	12.1%
Corp.	-9.6	-6.7	-3.0	-	-120	-81	-39	-

## Description

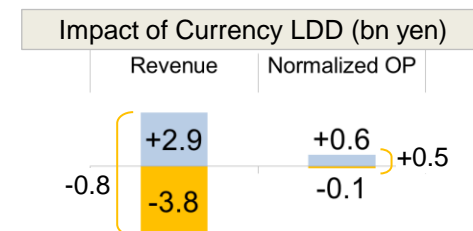
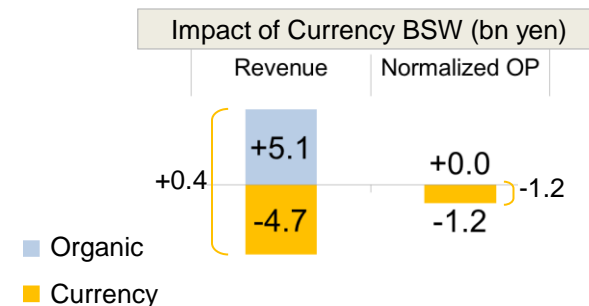
Assumed full year exchange rate: JPY80/AUD

### Lion - BSW

- Sales revenue will increase driven by premium and contemporary brands and crafted adult beverages.
- Lion will achieve profitable growth in these focus brands, however, normalized operating income will be flat due to the impact of the container deposit schemes, higher energy costs and investments in IT.

### Lion - LDD

- Sales revenue will increase driven by continued growth of Milk Based Beverages, Cheese and Yogurt driven by further innovation, new products and market share wins.
- Normalized operating income will increase due to focus on higher margin channels, new products and cost optimisation



# 2018 Actual/2019 Forecast: Myanmar Brewery

## 2018 Actual

	Yen base (bn yen)			
	2018 Actual	2017 Actual	YoY	%
Revenue	26.2	25.6	0.6	2.2%
Normalized OP	10.1	9.9	0.2	2.1%

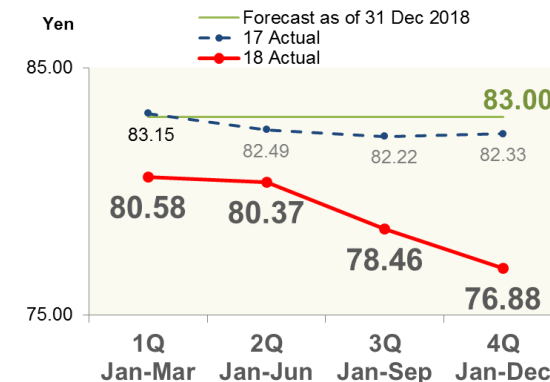
Kyat base (bn MMK)			
2018 Actual	2017 Actual	YoY	%
340	311	29	9.4%
131	120	11	9.4%

## 2019 Forecast

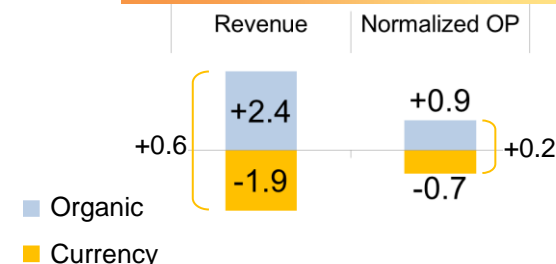
	Yen base (bn yen)			
	2019 Fcst	2018 Actual	YoY	%
Revenue	28.3	26.2	2.1	8.0%
Normalized OP	9.5	10.1	-0.6	-5.9%

Kyat base (Bn MMK)			
2019 Fcst	2018 Actual	YoY	%
387	340	47	13.7%
130	131	-1	-0.9%

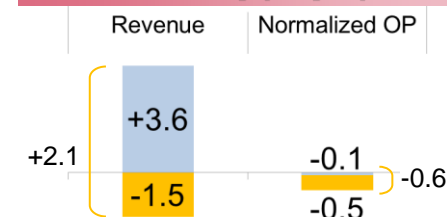
## Exchange Rate - 1,000 Myanmar Kyat



## Impact of 2018 Actual Currency (bn yen)



## Impact of 2019 Forecast Currency (bn yen)



## Description

Assumed full year exchange rate: JPY73/MMK'000

### 2018 Actual

- Sales volume of beer: +12.2% YoY
- Achieved higher sales and profits by maintaining a high market share through the same growth rate as the market.
- Andaman Gold's share of the economy category, which continues to grow strongly, increased.

### 2019 Forecast

- Cost of raw materials is expected to increase due to continued depreciation of the Myanmar Kyat and deterioration of market conditions.
- As in the previous year, sales volume is expected to grow in the high single digits.

# 2019 Forecast CCNNE (Coca-Cola Bottling Company of Northern New England)

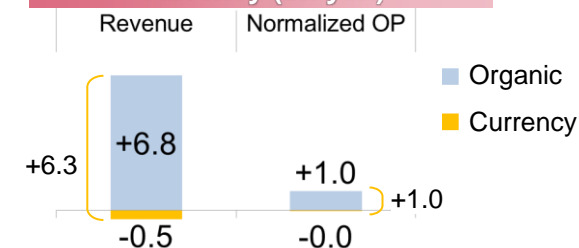
## 2019 Forecast

	Yen base (bn yen)			
	2019 Fcst	2018 Actual	YoY	%
Revenue	138.1	131.7	6.3	4.8%
Normalized OP	3.8	2.8	1.0	33.5%

U.S. dollar base (million\$)			
2019 Fcst	2018 Actual	YoY	%
1,255	1,193	62	5.2%
35	26	9	34.0%

Assumed full year exchange rate: ¥110/USD

## Impact of 2019 Forecast Currency (bn yen)



## Description

Sales and profits are expected to increase and the Normalized OP rate is expected to improve due to the steady implementation of PMI after the expansion of sales territory.

- Aim to increase sales volume by capturing market growth.
- Higher raw material costs and higher prices are expected, but the impact will be minimized through the unit price and mix effect by strengthening sales in expanding territories.
- Improve profitability through supply chain optimization and operational efficiency.



# 2018 Actual/2019 Forecast: Pharmaceuticals and Bio-chemicals

## 2018 Actual

(bn yen)	2018 Actual	2017 Actual	YoY	%
Revenue	339.3	346.7	-7.4	-2.1%
Kyowa Hakko Kirin	347.3	354.2	-6.9	-2.0%
Pharmaceutical	270.4	274.8	-4.3	-1.6%
Biochemicals	76.8	79.4	-2.6	-3.2%
Other and eliminations	-8.0	-7.5	-0.5	-
Normalized OP	58.8	62.2	-3.4	-5.5%
Kyowa Hakko Kirin	58.8	62.2	-3.4	-5.5%
Pharmaceutical	50.4	55.0	-4.6	-8.4%
Biochemicals	8.1	7.2	0.9	13.1%
Other	0.3	0.0	0.2	2223.7%

## 2019 Forecast

(bn yen)	2019 Fcst	2018 Actual	YoY	%
Revenue	373.5	339.3	34.2	10.1%
Pharmaceuticals (Kyowa Hakko Kirin)	304.0	270.4	33.6	12.4%
Bio-Chemicals (Kyowa Hakko Bio)	77.0	76.8	0.2	0.2%
Elimination of inter-segment transactions	-7.5	-8.0	0.5	-
Normalized OP	62.0	58.8	3.2	5.5%
Pharmaceuticals (Kyowa Hakko Kirin)	54.0	50.4	3.6	7.1%
Bio-Chemicals (Kyowa Hakko Bio)	8.0	8.1	-0.1	-1.6%
Other	-	0.3	-0.3	-

## Description

### 2018 Actual

- The decline in domestic sales was covered by an increase in overseas sales, but this was offset by the impact of the deconsolidation of Kyowa Medex from 1Q 2018, resulting in a year-on-year decline in Revenue.
- Domestic sales declined, mainly in long-term prescription product, due to NHI drug price revisions in April, the penetration of generics, and growth in competing products. However, new products such as G-Lasta and NOURIAST performed well.
- Overseas sales increased significantly due to the strong performance of Crysvida, a global strategic product, and higher-than-expected sales of POTELIGEO, which was launched in the United States in October.
- Normalized OP declined YoY due to a decline in Revenue and an increase in SG&A expenses to promote the penetration of global strategic products and other new products overseas.
- With regard to Kyowa Hakko Bio, sales declined as the company focused on high-margin products, but Normalized OP increased.

### 2019 Forecast

- Revenue is expected to increase from the previous year.
- Domestic sales are expected to increase slightly due to the penetration of new products, although long-term prescription product sales are expected to decline.
- Overseas sales are expected to increase significantly as Crysvida and POTELIGEO penetrates more markets.
- Normalized OP is expected to increase, but the rate of change is expected to be slightly lower than in the Revenue due to the increase in SG&A expenses overseas and the increase in R&D expenses for expanding pipelines.
- In the Kyowa Hakko Bio, although sales are expected to increase in the domestic mail-order business and overseas business, sales of active pharmaceutical ingredients in Japan are expected to decline, and profits are expected to be basically unchanged from the previous fiscal year.

# Performance of San Miguel Brewery (an affiliate consolidated under the equity-method)



## ■ San Miguel Brewery local-based consolidated results (October 2017-September 2018)

(million Peso)	Oct-Dec 2017		Jan-Mar 2018		Apr.-Jun. 2018		Jul-Sep 2018		2018 Total	
	Actual	YoY	Actual	YoY	Actual	YoY	Actual	YoY	Actual	YoY
Sales	32,599	17%	29,814	18%	32,696	18%	30,852	12%	125,961	16%
Operating Income	9,753	15%	8,313	25%	8,998	22%	8,601	17%	35,665	19%
Operating Income Ratio	29.9%		27.9%		27.5%		27.9%		28.3%	

Source: San Miguel Brewery Inc. Financial Highlights

Consolidation  
period

## ■ Incorporation by the equity method (October 2017-September 2018)

(bn yen)	2018	2017	YoY %
Net income (SMB)	50.4	43.3	16%
Consolidated net income <small>(include in the consolidated results)</small>	24.5	21.0	17%

Exchange rate: 1peso=¥2.14 (previous year: ¥2.24)

## ■ Kirin Holdings' dividend income from San Miguel Brewery

	2018	2017	YoY %
Dividends (bn yen)	12.6	119	6%
Cash dividends declared per share (peso)	0.82	0.72	14%

Dividends are recorded on a cash-in basis.

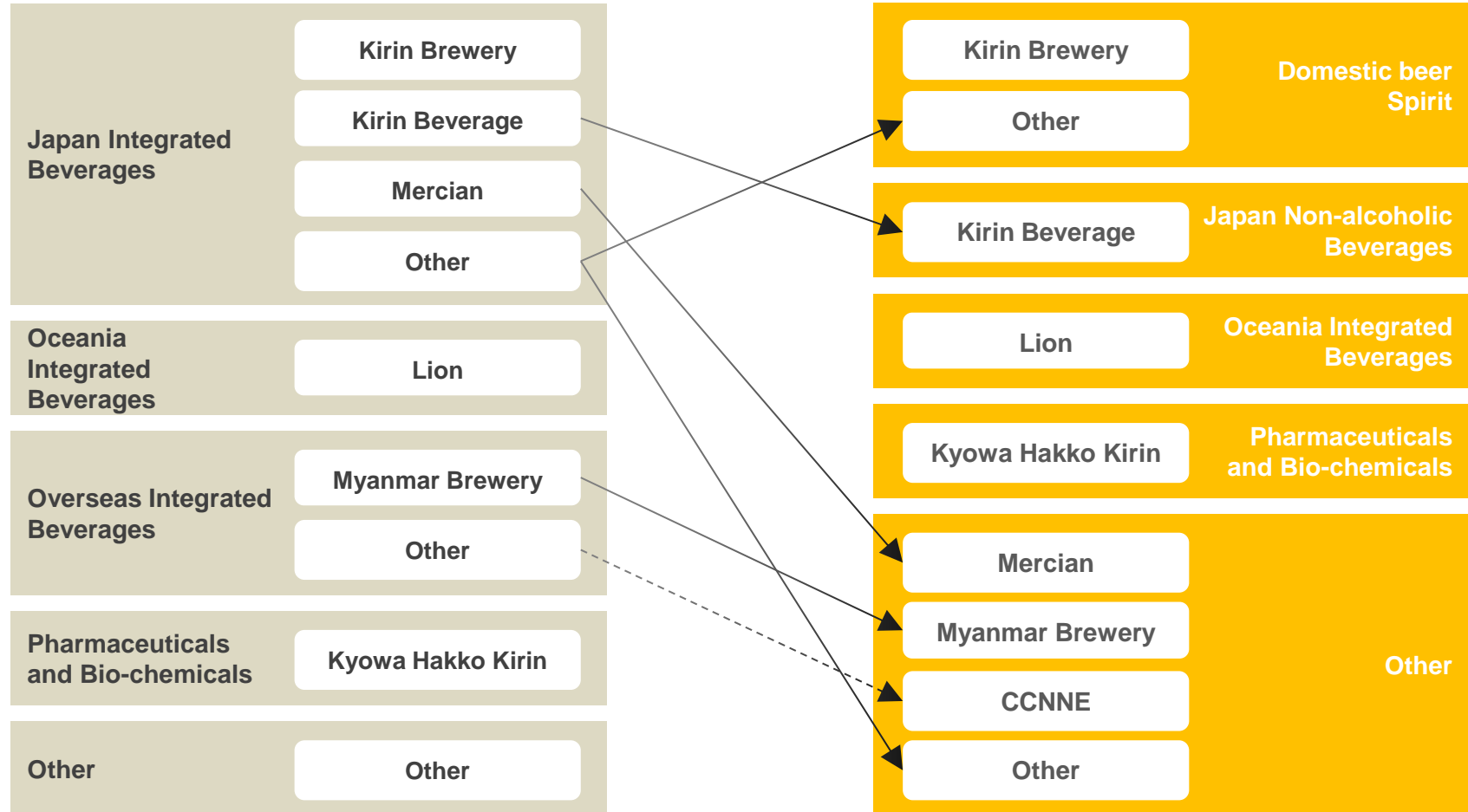
# Kirin Group Cost Reduction Initiatives

**Achieved cost reductions of approximately ¥43.0 billion over the three years of the 2016 Mid-term Management Plan, exceeding the target of ¥30.0 billion.**

(bn yen)	2016-2017 Actual	2018 Actual	2016-2018 Total	Major Initiatives in 2018	2018 Initial target	2018 revised target (2Q)
Kirin Brewery	9.9	3.4	<b>13.3</b>	Reducing product costs through raw material procurement, new products and renovations, and reducing supply chain costs	1.3	1.9
Kirin Beverage	7.8	2.5	<b>10.3</b>	Procurement of raw materials, reduction of waste, etc.	1.3	1.8
Other	7.9	3.0	<b>10.9</b>	Mercian, Lion and Myanmar Brewery	2.0	2.4
Brasil Kirin	8.4	-	<b>8.4</b>		-	-
Total	34.0	8.9	<b>42.9</b>		4.6	6.1

# Changes in disclosure segments

Changed the disclosure segments based on the management approach.



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



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