(Notes)
1. This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
2. "Audit & Supervisory Board Member(s)" and "Audit & Supervisory Board" described herein mean "Kansayaku" and "Kansayaku-kai" stipulated in the Japanese Companies Act respectively.

Stock Code 2503
March 6, 2017

To: Our Shareholders

Convocation Notice of the 178th Ordinary General Meeting of Shareholders

Please be advised that the 178th Ordinary General Meeting of Shareholders of the Company will be held as set forth below. You are cordially invited to attend the Meeting.

Yours very truly,

Yoshinori Isozaki
President & Chief Executive Officer

Kirin Holdings Company, Limited
10-2, Nakano 4-chome,
Nakano-ku, Tokyo

If you do not plan to attend the Meeting, you may exercise your voting rights in either of the following ways. Please review the accompanying "Reference Documents for the Ordinary General Meeting of Shareholders" and exercise your voting rights by 5:30 p.m., March 29, 2017 (Wednesday) (JST):

Exercise of voting rights via postal mail: [Translation omitted.]

Exercise of voting rights via the Internet etc.: [Translation omitted.]

Regarding Disclosure on the Internet

In accordance with laws and regulations, as well as Article 15 of the Company's Articles of Incorporation, the following items are posted on the Company's website and therefore are not attached to the Convocation Notice of the Ordinary General Meeting of Shareholders.

(1) Notes to Consolidated Financial Statements
(2) Notes to Financial Statements

Investor Relations	http://www.kirinholdings.co.jp/english/ir/

The Consolidated Financial Statements and the Financial Statements, which have been audited by Audit & Supervisory Board Members and the Accounting Auditor comprise not only the documents which are referred to in the attached documents to the Convocation Notice of the Ordinary General Meeting of Shareholders but also the Notes to Consolidated Financial Statements and the Notes to Financial Statements, which are posted on the Company's website.

Details of the Meeting

1. Date and Time:

March 30, 2017, (Thursday) at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)

2. Place:

Ballroom, B2, The Prince Park Tower Tokyo
8-1, Shiba Koen 4-chome, Minato-ku, Tokyo

3. Agenda:

Matters to be reported:

1) Report on the business report, the consolidated financial statements and the results of the audit of the consolidated financial statements by the Accounting Auditor and the Audit & Supervisory Board for the 178th fiscal year (from January 1, 2016 to December 31, 2016).
2) Report on the financial statements for the 178th fiscal year (from January 1, 2016 to December 31, 2016).

Matters to be voted on:

Proposal No. 1:	Appropriation of surplus
Proposal No. 2:	Election of nine (9) Directors of the Board
Proposal No. 3:	Payment of bonuses to Directors of the Board and Audit & Supervisory Board Members
Proposal No. 4:	Revision of remuneration to Directors of the Board and Audit & Supervisory Board Members
Proposal No. 5:	Determination of the amount of remuneration in the Restricted Stock Compensation System for Directors of the Board

4. Exercise of Voting Rights

In the case votes both via postal mail and via the Internet (double-vote) are received, only the Internet vote will be considered as valid.

When exercising voting rights via the Internet, if multiple votes are made, only the last vote will be considered as valid.

- END -

- If you are attending the Meeting, please present the Voting Rights Exercise Form enclosed herewith to the reception of the Meeting place. In addition, to help conserve resources, we would appreciate it if you could bring this Convocation Notice with you to the Meeting.
- We would appreciate it if you could come ahead of time to avoid last-minute congestion.

- Please kindly be notified that entry to the meeting hall is strictly limited to our shareholders who hold voting rights, and thus persons such as those acting as agents of or accompanying our shareholders but who are not themselves shareholders, are not allowed to enter the venue.
- If any changes are required in the Reference Documents for the Ordinary General Meeting of Shareholders, business report, consolidated financial statements and financial statements, the changes will be posted on the Company's website (Investor Relations) located at (http://www.kirinholdings.co.jp/english/ir/).
- The Company will not hand out souvenirs at the Ordinary General Meeting of Shareholders. We would appreciate your understanding.

Notice Regarding Exercise of Voting Rights

[Translation omitted.]

Reference Documents for the Ordinary General Meeting of Shareholders

Matters to be voted on and information:

Proposal No. 1: Appropriation of surplus

The Board proposes the payment of a dividend of ¥20.0 per share, after taking into account various factors including the Company's operating results for the fiscal year under review and the business environment, based on the Company's dividend policy. As a result, the annual dividend will amount to ¥39.0 per share, an increase of ¥1.0 compared to the previous fiscal year, including an interim dividend of ¥19.0 per share.

1. Matters regarding year-end dividend:

(1) Matters related to the allocation of the dividend property to shareholders and the total amount thereof:
¥20.0 per share of the Company's common stock
Total amount: ¥18,250,317,060

(2) Effective date of payment of dividend:
March 31, 2017

The Company's Dividend Policy

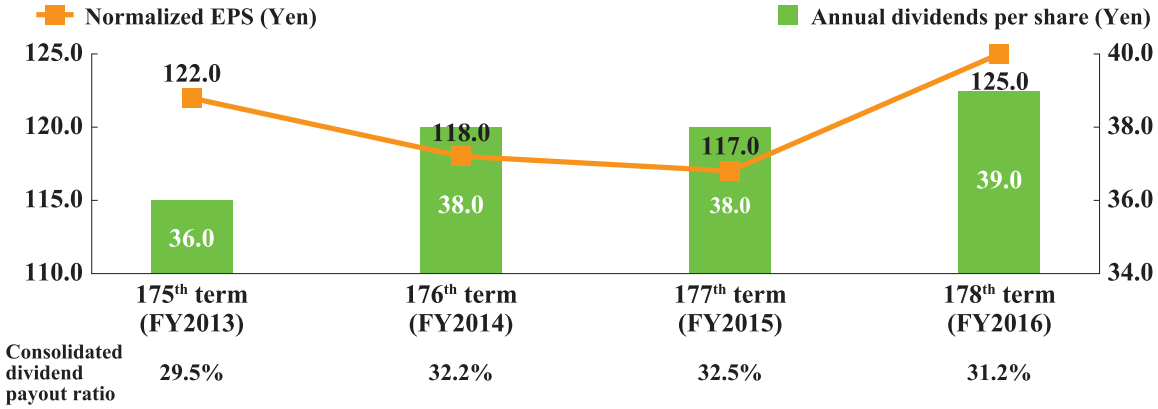
We consider the appropriate return of profits to shareholders to be one of the most important management issues and have distributed a dividend to shareholders in every financial period since its establishment in 1907. We believe that shareholders' needs can be met by maintaining stable dividend payments after comprehensive consideration of various factors including (i) the Company's operating results for each fiscal year, (ii) the consolidated dividend payout ratio, which takes the actual profit level into account, and (iii) future management measures.

In specific terms, we will enhance shareholder return through stable dividends by paying dividends at a consolidated dividend payout ratio on normalized EPS of 30% or higher.

Retained earnings will be allocated to business and capital investments that contribute to enhancing future corporate value. We will also consider opportunities to acquire treasury stock based on financial flexibility and the progress made in creating free cash flows, etc.

* Normalization: Removing special income and expenses and other non-recurring items to reflect actual earnings more accurately.
* Normalized EPS = Adjusted net income/Average number of shares outstanding during the period
Adjusted net income = Net income + Amortization of goodwill, etc. ± special income or expenses after income taxes and minority interests

(Reference) Annual dividends per share and normalized EPS



Proposal No. 2: Election of nine (9) Directors of the Board

Upon the close of this Ordinary General Meeting of Shareholders, the terms of office of all nine (9) Directors of the Board will expire.

Accordingly, shareholders are requested to elect nine (9) Directors of the Board.

The candidates for the positions of Director of the Board are as follows:

No.	Name (Age)			Current title and responsibilities at the Company	Rate and number of attendance at Board Meetings
1	Candidate for Reelection	Yoshinori Isozaki	(63)	President & Chief Executive Officer	100% (16 times of 16 meetings)
2	Candidate for Reelection	Keisuke Nishimura	(60)	Representative Director of the Board, Senior Executive Officer Business Alliance and Investment Strategy; Overseas	100% (16 times of 16 meetings)
3	Candidate for Reelection	Akihiro Ito	(56)	Director of the Board, Senior Executive Officer Financial Strategy; IR; Information Strategy	100% (16 times of 16 meetings)
4	Candidate for Reelection	Toshiya Miyoshi	(58)	Director of the Board, Senior Executive Officer Personnel & General Affairs Strategy; Legal	100% (16 times of 16 meetings)
5	New Candidate	Yasuyuki Ishii	(60)	—	—
6	Candidate for Reelection Candidate for Outside Director Candidate for Independent Officer	Toshio Arima	(74)	Outside Director Chairman of the Board	100% (16 times of 16 meetings)
7	Candidate for Reelection Candidate for Outside Director Candidate for Independent Officer	Shoshi Arakawa	(72)	Outside Director	100% (16 times of 16 meetings)
8	Candidate for Reelection Candidate for Outside Director Candidate for Independent Officer	Kimie Iwata	(69)	Outside Director	100% (12 times of 12 meetings)
9	Candidate for Reelection Candidate for Outside Director	Katsunori Nagayasu	(69)	Outside Director	83% (10 times of 12 meetings)

(Notes) 1. Age is as of this Ordinary General Meeting of Shareholders.

2. As for the attendance at the Board Meetings of Ms. Kimie Iwata, the Board Meetings applicable to her are only those held subsequent to her assumption of office on March 30, 2016. She attended all four Board Meetings as Audit & Supervisory Board Member of the Company, until she resigned from the position of Audit & Supervisory Board Member as of the above date.
3. As for the attendance at the Board Meetings of Mr. Katsunori Nagayasu, the Board Meetings applicable to him are only those held subsequent to his assumption of office on March 30, 2016.

No. 1 **Yoshinori Isozaki**



Candidate for Reelection

Date of birth	August 9, 1953
Number of the Company's shares held	34,000 shares
Rate and number of attendance at Board Meetings	100% (16 times of 16 meetings)

Profile, title and responsibilities

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

Significant positions concurrently held at other companies and organizations

President & Chief Executive Officer, KIRIN Company, Limited

[Reasons for nomination as a candidate for Director of the Board]

Mr. Yoshinori Isozaki has worked in the areas of business development, overseas business, corporate planning, etc., since he joined the Company and has considerable business experiences and deep insight in the management of the Group. Since he took office as President & CEO of the Company in 2015, he has demonstrated strong leadership toward achieving the "New Kirin Group Vision 2021," our long-term management vision, and ensured to promote management reform including enhancement of corporate governance. Based on the above, the Board has determined that he is suited to carry out the tasks needed for realizing the Company's group strategy towards continuous improvement of corporate value and overseeing the entire Kirin Group.

Note: No conflict of interests exists between the Company and Mr. Yoshinori Isozaki.

No. 2 **Keisuke Nishimura**



Candidate for Reelection

Date of birth	December 7, 1956
Number of the Company's shares held	42,206 shares
Rate and number of attendance at Board Meetings	100% (16 times of 16 meetings)

Profile, title and responsibilities	
April 1980	Joined the Company
March 2007	Chairman and CEO of Kirin (China) Investment Co., Ltd
March 2009	Director of San Miguel Corporation
April 2009	Director and Executive Vice President of San Miguel Brewery Inc.
October 2011	Director of San Miguel Brewery Inc. (Present Position)
	Executive Officer and General Manager of Strategy Planning Dept. of the Company
March 2012	Director of the Board of the Company
	Director of China Resources Kirin Beverages (Greater China) Company, Limited (Present Position)
March 2014	Managing Director of the Company
March 2015	Representative Director of the Board, Senior Executive Officer of the Company (Present Position)
August 2015	Director & Vice Chairman of Myanmar Brewery Limited
April 2016	Director of Myanmar Brewery Limited (Present Position)
Responsible for	Business Alliance and Investment Strategy; Overseas

Significant positions concurrently held at other companies and organizations

Director, San Miguel Brewery Inc.
Director, China Resources Kirin Beverages (Greater China) Company, Limited
Director, Myanmar Brewery Limited

[Reasons for nomination as a candidate for Director of the Board]
Mr. Keisuke Nishimura has worked in the areas of human resources management, corporate planning, overseas business, etc., since he joined the Company and has considerable business experiences and deep insight in the management of the Group. Since he took office as Director of the Board of the Company in 2012, he has been mainly in charge of business alliance and investment strategy and overseas business and has made a great contribution towards achieving the "New Kirin Group Vision 2021," our long-term management vision. Based on the above, the Board has determined that he is suited to carry out the tasks needed for realizing the Company's group strategy towards continuous improvement of corporate value and overseeing the entire Kirin Group.

Note: No conflict of interests exists between the Company and Mr. Keisuke Nishimura.

No. 3 **Akihiro Ito**



Candidate for Reelection

Date of birth	December 19, 1960
Number of the Company's shares held	14,600 shares
Rate and number of attendance at Board Meetings	100% (16 times of 16 meetings)

Profile, title and responsibilities	
April 1983	Joined the Company
July 2007	Director of Planning Dept. of Kirin Pharma Company, Limited
October 2008	General Manager of Group Planning Dept. of Kyowa Hakko Kirin Company, Limited
April 2009	General Manager of Strategy Planning Dept. of Kyowa Hakko Kirin Company, Limited
March 2010	General Manager of Finance & Accounting Dept. of Kirin Business Expert Company, Limited
January 2013	Executive Officer of the Company and Director of Group Finance of the Company
March 2014	Director of the Board of the Company Director of the Board of KIRIN Company, Limited Director of Lion Pty Limited
March 2015	Director of the Board, Senior Executive Officer of the Company (Present Position) Senior Executive Officer of KIRIN Company, Limited (Present Position) Director of Kirin Business System Company, Limited (Present Position) Director of Kyowa Hakko Kirin Company, Limited (Present Position)
April 2016	Director of Brasil Kirin Participações e Representações S.A. (Present Position)
Responsible for	Financial Strategy; IR; Information Strategy

Significant positions concurrently held at other companies and organizations

Senior Executive Officer, KIRIN Company, Limited
Director, Kirin Business System Company, Limited
Director, Kyowa Hakko Kirin Company, Limited
Director, Brasil Kirin Participações e Representações S.A.

[Reasons for nomination as a candidate for Director of the Board]
Mr. Akihiro Ito has worked mainly in the areas of finance and accounting of the Company and Kirin Group companies since he joined the Company and has considerable business experiences and deep insight in the areas of finance and accounting, etc. Since he took office as Director of the Board of the Company in 2014, he has been mainly in charge of

financial strategy, IR and information strategy and has made a great contribution towards achieving the "New Kirin Group Vision 2021," our long-term management vision. Based on the above, the Board has determined that he is suited to carry out the tasks needed for realizing the Company's group strategy towards continuous improvement of corporate value and overseeing the entire Kirin Group.

Notes:

1. No conflict of interests exists between the Company and Mr. Akihiro Ito.
2. Mr. Akihiro Ito is to resign from the position of Director of Kyowa Hakko Kirin Company, Limited as of March 23, 2017.

No. 4 **Toshiya Miyoshi**



Candidate for Reelection

Date of birth	December 30, 1958
Number of the Company's shares held	15,200 shares
Rate and number of attendance at Board Meetings	100% (16 times of 16 meetings)

Profile, title and responsibilities	
April 1982	Joined the Company
March 2008	Representative Director and President & CEO of Yokohama Akarenga Inc.
March 2010	General Manager of Personnel & General Affairs Dept. of the Company
March 2012	Executive Officer and General Manager of Personnel & General Affairs Dept. of the Company
January 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
March 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
March 2015	Director of the Board, Senior Executive Officer of the Company (Present Position) Senior Executive Officer of KIRIN Company, Limited (Present Position) Director of San Miguel Brewery Inc. (Present Position)
Responsible for	Personnel & General Affairs Strategy; Legal

Significant positions concurrently held at other companies and organizations

Senior Executive Officer, KIRIN Company, Limited
Director, San Miguel Brewery Inc.

[Reasons for nomination as a candidate for Director of the Board]

Mr. Toshiya Miyoshi has worked in the areas of human resources management, corporate planning, diversification of business, etc., since he joined the Company and has considerable business experiences and deep insight in the areas of human resources management, etc. Since he took office as Director of the Board of the Company in 2015, he has been mainly in charge of personnel & general affairs strategy and legal affairs and has made a great contribution towards achieving the "New Kirin Group Vision 2021," our long-term management vision. Based on the above, the Board has determined that he is suited to carry out the tasks needed for realizing the Company's group strategy towards continuous improvement of corporate value and overseeing the entire Kirin Group.

Note: No conflict of interests exists between the Company and Mr. Toshiya Miyoshi.

No. 5 **Yasuyuki Ishii**



New Candidate

Date of birth	January 1, 1957
Number of the Company's shares held	26,700 shares

Profile, title and responsibilities	
April 1980	Joined the Company
March 2007	General Manager of Strategic Research and Development Dept. of the Company
March 2009	General Manager of Yokohama Plant of Production Div. of Kirin Brewery Company, Limited
March 2010	Executive Officer and General Manager of Yokohama Plant of Production Div. of Kirin Brewery Company, Limited
March 2011	Executive Officer and General Manager of Production and Quality Control Dept. of Production Div. of Kirin Brewery Company, Limited
January 2013	Executive Officer and General Manager of Production Div. of Kirin Brewery Company, Limited
March 2013	Senior Executive Officer and General Manager of Production Div. of Kirin Brewery Company, Limited
March 2015	Senior Executive Officer of the Company (Present Position) Director of the Board, Senior Executive Officer of KIRIN Company, Limited (Present Position) Senior Executive Officer and President of Production Div. of Kirin Beverage Company, Limited (Present Position)

Significant positions concurrently held at other companies and organizations

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

[Reasons for nomination as a candidate for Director of the Board]
Mr. Yasuyuki Ishii has worked in the areas of production, corporate planning, overseas business, etc., since he joined the Company. He has been in charge of SCM (production/logistics/procurement) strategy as Senior Executive Officer of the Company since 2015 and has made a great contribution towards achieving the "New Kirin Group Vision 2021," our long-term management vision. We expect him to effectively use his considerable business and management experiences and deep insight in production control, etc. in his management as Director of the Board of the Company. Based on the above, the Board has determined that he is suited to carry out the tasks needed for realizing the Company's group strategy towards continuous improvement of corporate value and overseeing the entire Kirin Group.

Note: No conflict of interests exists between the Company and Mr. Yasuyuki Ishii.

No. 6 **Toshio Arima**



Candidate for Reelection
Candidate for Outside Director
Candidate for Independent Officer

Date of birth	May 31, 1942
Number of the Company's shares held	5,100 shares
Rate and number of attendance at Board Meetings	100% (16 times of 16 meetings)

Profile, title and responsibilities	
April 1967	Joined Fuji Xerox Co., Ltd.
June 2002	President and Representative Director of Fuji Xerox Co., Ltd.
October 2006	Director of FUJIFILM Holdings Corporation
June 2007	Board Director and Executive Advisor of Fuji Xerox Co., Ltd.
June 2008	Executive Corporate Advisor of Fuji Xerox Co., Ltd.
March 2011	Outside Director of the Company (Present Position)
April 2012	Executive Advisor of Fuji Xerox Co., Ltd. (Present Position)
Responsible for	Chairman of the Board

Significant positions concurrently held at other companies and organizations

Executive Advisor, Fuji Xerox Co., Ltd.
Outside Director, Resona Holdings, Inc.
Chairman of the Board, Global Compact Network Japan

[Reasons for nomination as a candidate for Outside Director]
Mr. Toshio Arima has considerable experience acquired over many years as a corporate executive and a wide range of knowledge, especially highly specialized expertise in leading group companies and corporate social responsibility. Based on those, he provides valuable opinions and suggestions from objective and professional perspectives to the management of the Company as Outside Director and takes the lead in management of Board Meetings as the Chairman of the Board. Based on the above, the Board has determined that he is suited to oversee business execution of the Company towards continuous improvement of corporate value.

Notes:

1. No conflict of interests exists between the Company and Mr. Toshio Arima.
2. Mr. Toshio Arima is a candidate for the position of Outside Director.
3. The years served (as of the close of this Ordinary General Meeting of Shareholders) by Mr. Toshio Arima since his election as an Outside Director are 6 years.
4. Mr. Toshio Arima is an independent officer as prescribed in the regulations of the Tokyo Stock Exchange, Inc., etc., and he is expected to remain as an independent officer if he is re-elected and appointed as a Director of the Board.

No. 7 **Shoshi Arakawa**



Candidate for Reelection
Candidate for Outside Director
Candidate for Independent Officer

Date of birth	April 8, 1944
Number of the Company's shares held	2,300 shares
Rate and number of attendance at Board Meetings	100% (16 times of 16 meetings)

Profile, title and responsibilities

April 1968	Joined Bridgestone Corporation
March 2005	Senior Vice President, Representative Board Member of Bridgestone Corporation
July 2005	Executive Vice President, Representative Board Member of Bridgestone Corporation
March 2006	CEO and President, Representative Board Member of Bridgestone Corporation
March 2012	Chairman of the Board of Bridgestone Corporation
March 2013	Advisor of Bridgestone Corporation (Present Position)
March 2015	Outside Director of the Company (Present Position)

Significant positions concurrently held at other companies and organizations

Advisor, Bridgestone Corporation

[Reasons for nomination as a candidate for Outside Director]

Mr. Shoshi Arakawa has considerable experience acquired over many years as a corporate executive and a wide range of knowledge, especially highly specialized expertise in developing business in global market and leading group companies. Based on those, he provides valuable opinions and suggestions from objective and professional perspectives to the management of the Company as Outside Director. Based on the above, the Board has determined that he is suited to oversee business execution of the Company towards continuous improvement of corporate value.

Notes:

1. No conflict of interests exists between the Company and Mr. Shoshi Arakawa.
2. Mr. Shoshi Arakawa is a candidate for the position of Outside Director.
3. The years served (as of the close of this Ordinary General Meeting of Shareholders) by Mr. Shoshi Arakawa since his election as an Outside Director are 2 years.
4. Mr. Shoshi Arakawa is an independent officer as prescribed in the regulations of the Tokyo Stock Exchange, Inc., etc., and he is expected to remain as an independent officer if he is re-elected and appointed as a Director of the Board.

No. 8 **Kimie Iwata**



Candidate for Reelection
Candidate for Outside Director
Candidate for Independent Officer

Date of birth	April 6, 1947
Number of the Company's shares held	3,900 shares
Rate and number of attendance at Board Meetings	100% (12 times of 12 meetings)

Profile, title and responsibilities

April 1971	Joined the Ministry of Labor
June 2004	Director and Corporate Officer of SHISEIDO CO., Ltd.
April 2007	Director and Corporate Executive Officer of SHISEIDO CO., Ltd.
April 2008	Director and Executive Vice President of SHISEIDO CO., Ltd.
June 2008	Representative Director and Executive Vice President of SHISEIDO CO., Ltd.
March 2012	Outside Audit & Supervisory Board Member of the Company
April 2012	Director of SHISEIDO CO., Ltd.
June 2012	Advisor of SHISEIDO CO., Ltd.
March 2016	Outside Director of the Company (Present Position)

Significant positions concurrently held at other companies and organizations

External Director, Japan Airlines Co., Ltd.
Outside Director, STRIPE INTERNATIONAL INC.
President, Japan Institute for Women's Empowerment & Diversity Management
Audit and Inspection Commissioner, Tokyo Metropolitan Government

[Reasons for nomination as a candidate for Outside Director]

Ms. Kimie Iwata has considerable experience acquired over many years as a government official and a corporate executive, and a wide range of knowledge, especially highly specialized expertise in corporate social responsibility and promotion of women's participation and advancement, etc. Based on those, she provides valuable opinions and suggestions from objective and professional perspectives to the management of the Company as Outside Director, and she takes the lead in operation of the Nomination and Remuneration Advisory Committee as the Chairman of the Committee. Based on the above, the Board has determined that she is suited to oversee business execution of the Company towards continuous improvement of corporate value.

Notes:

1. No conflict of interests exists between the Company and Ms. Kimie Iwata.
2. Ms. Kimie Iwata is a candidate for the position of Outside Director.
3. At Japan Airlines Co., Ltd., where Ms. Kimie Iwata holds a position of External Director, leakage of customer information occurred due to unauthorized access to the customer information system of the company in September 2014. In October of the same year, the verification committee consisting of external directors and external audit & supervisory

board members of the company was established and investigated the matter. Ms. Kimie Iwata committed to fulfilling her duties as Chairman of the committee to prevent the recurrence of such event.

4. Ms. Kimie Iwata was an Outside Audit & Supervisory Board Member of the Company for 4 years until March 2016.
5. The year served (as of the close of this Ordinary General Meeting of Shareholders) by Ms. Kimie Iwata since her election as an Outside Director is 1 year.
6. Ms. Kimie Iwata is an independent officer as prescribed in the regulations of the Tokyo Stock Exchange, Inc., etc., and she is expected to remain as an independent officer if she is re-elected and appointed as a Director of the Board.

No. 9 **Katsunori Nagayasu**



Candidate for Reelection
Candidate for Outside Director

Date of birth	April 6, 1947
Number of the Company's shares held	200 shares
Rate and number of attendance at Board Meetings	83% (10 times of 12 meetings)

Profile, title and responsibilities

May 1970	Joined The Mitsubishi Bank, Limited
April 2008	Representative Director, President of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
April 2010	Representative Director, President & CEO of Mitsubishi UFJ Financial Group, Inc.
April 2012	Representative Director, Chairman of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
April 2013	Director of Mitsubishi UFJ Financial Group, Inc.
March 2016	Outside Director of the Company (Present Position)
April 2016	Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Present Position)

Significant positions concurrently held at other companies and organizations

Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Outside Audit & Supervisory Board Member, NIPPON STEEL & SUMITOMO METAL CORPORATION
Outside Audit & Supervisory Board Member, MITSUBISHI MOTORS CORPORATION
Outside Director, Isetan Mitsukoshi Holdings Ltd.
Outside Director, Mitsubishi Electric Corporation
Vice Chair, KEIDANREN (Japan Business Federation)

[Reasons for nomination as a candidate for Outside Director]

Mr. Katsunori Nagayasu has considerable experience acquired over many years as a corporate executive and a wide range of knowledge, especially highly specialized expertise in finance acquired through his management of financial institutions and deep insight in leading group companies. Based on those, he provides valuable opinions and suggestions from objective and professional perspectives to the management of the Company as Outside Director. Based on the above, the Board has determined that he is suited to oversee business execution of the Company towards continuous improvement of corporate value.

Notes:

1. No conflict of interests exists between the Company and Mr. Katsunori Nagayasu.
2. Mr. Katsunori Nagayasu is a candidate for the position of Outside Director.
3. MITSUBISHI MOTORS CORPORATION, where Mr. Katsunori Nagayasu holds a position of Outside Audit & Supervisory Board Member, was found to have committed an unfair practice in fuel efficiency testing of their vehicles in April 2016. In September 2016, they received a warning from Ministry of Land, Infrastructure, Transport and Tourism for another unfair practice in testing to verify fuel efficiency of the vehicles to which the initial unfair

practice was committed. Further, in January 2017, MITSUBISHI MOTORS CORPORATION received order for action and surcharge payment order from the Consumer Affairs Agency for violation of the Act against Unjustifiable Premiums and Misleading Representations on the catalog presentation, etc. relating to the vehicles whose fuel efficiency data was falsified. Although Mr. Katsunori Nagayasu was not aware of either of the improprieties in advance, he regularly reminded to pay attention to such events from the perspective of compliance with laws and regulations at the Audit & Supervisory Board, etc. Following discovery of the fact, he has been carrying out his duties properly including thorough investigation and giving instruction on ways to prevent the recurrence of such events.

4. Mr. Katsunori Nagayasu receives remuneration as Senior Advisor from The Bank of Tokyo-Mitsubishi UFJ, Ltd., a bank with which the Company has major transactions.
5. The year served (as of the close of this Ordinary General Meeting of Shareholders) by Mr. Katsunori Nagayasu since his election as an Outside Director is 1 year.
6. Mr. Katsunori Nagayasu served as Representative Director and Chairman of The Bank of Tokyo-Mitsubishi UFJ, Ltd., a bank with which the Company has major transactions, from April 2012 to March 2016. Although it is not planned at present that he will become an independent officer as prescribed in the regulations of the Tokyo Stock Exchange, Inc., etc., the Company expects that he will provide valuable opinions and suggestions concerning the management of the Company from his objective and professional standpoint.

(Reference)

1. In July 2007, the Company changed its former name, Kirin Brewery Company, Limited, to Kirin Holdings Company, Limited, and became a pure holding company, while the Company's domestic alcoholic beverages business was transferred to a separate company through the corporate split, and the separate company was renamed Kirin Brewery Company, Limited.
2. In January 2013, administration function of the Japan Integrated Beverages Business of the Company was transferred to KIRIN Company, Limited, through the corporate split.

Criteria regarding the Independence of Outside Officers

For Outside Directors and Outside Audit & Supervisory Board Members* of the Company to be considered as independent, none of the following criteria may apply to the respective Outside Director or Outside Audit & Supervisory Board Member.

(1) A person for whom the Company (including its consolidated subsidiaries; the same shall apply hereinafter) is a major client
(2) A person who is an executive director, corporate officer, executive officer, manager or other employee of a firm for whom the Company is a major client
(3) A person who is a major client of the Company
(4) A person who is an executive director, corporate officer, executive officer, manager or other employee of a firm which is a major client of the Company
(5) A lawyer, certified public accountant, tax accountant, or consultant, etc. who receives money or other economic benefit in excess of a certain amount from the Company aside from the officer's remuneration
(6) A person who belongs to a firm, union, or other similar entity (including a law office, auditing firm, tax accountant firm, or consulting firm, etc.) which receives money or other economic benefit in excess of a certain amount from the Company
(7) A person who receives donations or other assistance in excess of a certain amount from the Company
(8) A person who is a director of or otherwise executes duties for a firm, union or other similar entity which receives donations or other assistance in excess of a certain amount from the Company
(9) A person who is an executive director, corporate officer, executive officer, manager or other employee of a firm for which an Executive Director or Audit & Supervisory Board Member of the Company acts as outside director or outside auditor
(10) A person to whom any of aforementioned criteria (1)–(9) has applied within the past 3 years
(11) Where a person to whom any of aforementioned criteria (1)–(9) applies serves as a senior executive or higher, the person's spouse or other relations within the second degree of kinship
(12) A person who is a spouse or other relation within the second degree of kinship to a Director of the Board, Corporate Officer, Executive Officer, Manager or other important employee of the Company

(Notes) 1. Regarding criteria (1) and (2), "A person (or firm) for whom the Company is a major client" refers to a person (or firm) who received payment from the Company in the most recent business year which accounted for either 2% or more of consolidated sales for the year for that person (or firm), or over ¥100 million, whichever is the higher amount. If consolidated accounting is not adopted by the person (or firm), total revenue or non-consolidated sales for the year should be employed in place of consolidated sales for the year.

2. Regarding criteria (3) and (4), "A person (or firm) who is a major client of the Company" refers to a person (or firm) who made payment to the Company in the most recent business year which accounted for 2% or more of the Company's consolidated sales for the year, or who finances 2% or more of the Company's consolidated total assets at the end of the most recent business year.

3. Regarding criteria (5), (7) and (8), "a certain amount" is considered as ¥10 million per year.

4. Regarding criteria (6), "a certain amount" is considered as either 2% or more of total revenue for the most recent business year for that firm, union or other similar entity, or over ¥100 million, whichever is the higher amount.

* "Audit & Supervisory Board Member(s)" and "Audit & Supervisory Board" described herein mean "*Kansayaku*" and "*Kansayaku-kai*" stipulated in the Japanese Companies Act respectively.

Proposal No. 3: Payment of bonuses to Directors of the Board and Audit & Supervisory Board Members

In due consideration of the achievement level of consolidated performance indicators and share price index, etc., established by the Company, for the fiscal year under review the Board proposes the payment of bonuses of ¥149.02 million in total to nine (9) Directors of the Board who held office as of the end of the fiscal year under review (of which, ¥5.0 million in total will be paid to four (4) Outside Directors). It also proposes the payment of bonuses of ¥17.25 million in total to five (5) Audit & Supervisory Board Members who held office as of the end of the fiscal year under review (of which, ¥3.75 million in total will be paid to three (3) Outside Audit & Supervisory Board Members).

We would like to leave decisions on payment amount for each Director of the Board and Audit & Supervisory Board Member to the Board and mutual consultation by Audit & Supervisory Board Members, respectively.

Proposal No. 4: Revision of remunerations to Directors of the Board and Audit & Supervisory Board Members

The remuneration limit for Directors of the Board of the Company is ¥50 million per month (resolved at the 164th Ordinary General Meeting of Shareholders held on March 28, 2003); and the remuneration limit for Audit & Supervisory Board Members is ¥9 million per month (resolved at the 167th Ordinary General Meeting of Shareholders held on March 30, 2006).

The Company, in an effort to further enhance its corporate value and promote a sense of sharing value with the shareholders, intends to revise the remuneration system of Directors of the Board and establish greater linkage between remuneration to Directors of the Board excluding Outside Directors and business performance. The Company, therefore, proposes to revise the remuneration to Directors of the Board from a monthly amount to a yearly amount; to pay a bonus to the Directors of the Board excluding Outside Directors in addition to the fixed basic remuneration within the remuneration limit; and after comprehensive consideration of factors such as the amounts paid in the past, the remuneration levels of other companies and the number of Directors of the Board in office, to change the remuneration limit to ¥950 million per year (of which the remuneration limit of Outside Directors will be ¥80 million per year). The Company also proposes to pay bonuses to Directors of the Board excluding Outside Directors according to factors determined by the Company, such as the degree of achievement of the consolidated performance indicators. As Outside Directors are to be compensated commensurate with their duties to supervise and advise the management of the Company and the Kirin Group as a whole from an objective perspective, only the fixed basic remuneration shall be paid hereafter. Fixed basic remuneration to Directors of the Board and bonuses to Directors of the Board excluding Outside Directors shall be determined by the Board within the remuneration limit noted above, upon deliberation by the Nomination and Remuneration Advisory Committee.

Additionally, in terms of remuneration to Audit & Supervisory Board Members, after comprehensive consideration of factors such as the amounts paid in the past, the remuneration levels of other companies and the number of Audit & Supervisory Board Members in office, the Company proposes to change the remuneration limit to ¥130 million per year, in conjunction with the revision of remuneration to Directors of the Board. As Audit & Supervisory Board Members are to be compensated commensurate with their duties to audit the execution of duties of the Directors of the Board from an objective perspective, only the fixed basic remuneration shall be paid hereafter.

Currently, the number of Directors of the Board is nine (9) (including four (4) Outside Directors), and will remain to be nine (9) (including four (4) Outside Directors), if the proposal No. 2 is approved as proposed. The number of Audit & Supervisory Board Members is currently five (5) (including three (3) Outside Audit & Supervisory Board Members) and will remain the same after the close of this Ordinary General Meeting of Shareholders.

Employee salaries are not paid to Directors of the Board of the Company.

Proposal No. 5: Determination of the amount of remuneration in the Restricted Stock Compensation System for Directors of the Board

The Company, for the purposes of further promoting the sharing of value between the Directors of the Board and the shareholders, and establishing a remuneration system that contributes to the enhancement of corporate value in the medium to long term, proposes to introduce the Restricted Stock Compensation System as follows.

The Company, therefore, proposes to set a remuneration limit of ¥250 million per year for Directors of the Board relating to this compensation system, separately from the amount of remuneration for Directors of the Board in the proposal No. 4, in order to provide monetary compensation receivables for the allocation of restricted stock. The specific timing of the provision and the allocation to each Director of the Board shall be determined by the Board upon deliberation by the Nomination and Remuneration Advisory Committee.

Officers eligible under this system shall be the Directors of the Board of the Company excluding Outside Directors, and currently the number of Directors of the Board excluding Outside Directors is five (5), and will remain to be five (5), if the proposal No. 2 is approved as proposed.

Outline of the System

(1) Overview

Under this system, the Company shall grant Directors of the Board excluding Outside Directors ("Eligible Directors") monetary compensation receivables for the allocation of restricted stock, each business year as a general rule, and, by having the Eligible Directors make contribution in kind using the monetary compensation receivables as contributed assets, shall issue or dispose of its common shares to the Eligible Directors and allow them to hold such shares. The Company shall conclude a restricted stock grant agreement ("Grant Agreement") with the Eligible Directors, and with regard to the shares granted pursuant to the Grant Agreement ("Granted Shares"), the Eligible Directors shall not be allowed to transfer, create a security interest on, or otherwise dispose ("Transfer") of them at will ("Restrictions") during a given period provided by the Grant Agreement ("Restriction Period"). In addition, the Company shall lift the Restrictions on all or part of the Granted Shares, according to the degree of achievement of the indicators in the initial business year of the Restriction Period set by the Board including major performance indicators set in the Medium-Term Business Plan, at the expiry of the Restriction Period. However, the Company shall acquire free of charge the Granted Shares for which the Restrictions are not lifted.

Other details regarding the administration of this System shall be determined by the Board upon deliberation by the Nomination and Remuneration Advisory Committee.

(2) Amount of the monetary compensation receivables to be provided and the maximum number of shares to be granted under the System

The total amount of monetary compensation receivables to be provided to Eligible Directors shall be no greater than ¥250 million per year, and the total number of Granted Shares to be granted to Eligible Directors shall be no greater than 312,500 shares during one business year. However, if, after the close of this Ordinary General Meeting of Shareholders, a stock split, consolidation of shares or any other circumstance with respect to the Company's common stock occurs that necessitate the adjustment of the total number of restricted stock to be allocated, the total number of Granted Shares shall be reasonably adjusted.

(3) The amount to be paid per share

The amount to be paid per share shall be determined by the Board within the scope that would not be considered specially advantageous to the Directors of the Board who are granted the common shares of the Company under the System, that is, the closing price of common shares of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution by the Board (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day).

(4) Outline of the Grant Agreement

1) Restriction Period

The Restriction Period shall be a period between two (2) and three (3) years, determined in advance by the Board as a general rule, and during such period, Eligible Directors shall not Transfer the Granted Shares.

2) Lift of Restrictions subject to business performance conditions

The Company shall lift the Restrictions on all or part of the Granted Shares according to the degree of achievement of the indicators in the initial business year of the Restriction Period set by the Board including major performance indicators set in the Medium-Term Business Plan, at the expiry of the Restriction Period. However, with respect to a certain portion of the restricted stock to be granted, Restrictions shall be removed at the expiry of the Restriction Period as a general rule regardless of the degree of achievement of the indicators, in order to encourage Eligible Directors to hold the Company's stock. In addition, such Restrictions shall be lifted as a general rule, on the condition that the Eligible Director continuously serves as the Director of the Board, Executive Officer, Audit & Supervisory Board Member or employee of the Company or a subsidiary of the Company during the Restriction Period.

At the expiry of the Restriction Period, the Company shall as a matter of course acquire free of charge the Granted Shares for which the Restrictions have not been lifted in accordance with the above provisions.

3) Treatment upon loss of position

In the event that, prior to the expiry of the Restriction Period, the Eligible Director loses his or her position as Director of the Board, Executive Officer, Audit & Supervisory Board Member or employee of the Company or a subsidiary of the Company, with the exception of cases where the loss of position is due to reasons recognized as legitimate by the Company's Board, such as expiration of term or death, the Company shall as a matter of course acquire free of charge the Granted Shares. In cases where the loss of position is due to reasons that are recognized as legitimate by the Company's Board, such as expiration of term or death, the number of the Granted Shares for which Restrictions are to be lifted and the timing of the lifting of the Restrictions shall be reasonably adjusted as necessary.

4) Treatment upon reorganization, etc. of the Company

In the event that, during the Restriction Period, a merger agreement in which the Company becomes the non-surviving company, a share exchange agreement or a share transfer plan under which the Company becomes wholly-owned subsidiary of another company, or any other arrangement including the reorganization of the Company is resolved at the Company's General Meeting of Shareholders (or at the Board Meeting of the Company, if the reorganization, etc. does not require the approval of the General Meeting of Shareholders), reasonable adjustments shall be made, as necessary, to the number of Granted

Shares for which Restrictions are to be lifted and the timing of the lifting of the Restrictions, by resolution of the Board of the Company.

5) Other matters to be determined by the Board

Other matters relating to the System shall be determined by the Board and shall be considered to be a part of the Grant Agreement.

(Reference)

The Company, on the condition that the proposal No. 5 is approved as proposed, plans to apply the similar Restricted Stock Compensation System as the above to Executive Officers of the Company and to Directors of the Board and Executive Officers of KIRIN Company, Limited, a subsidiary of the Company.

Amount of remuneration for officers in the case where the proposals No. 4 and No. 5 are approved

Directors of the Board

	Current		Proposed revision
1) Amount of remuneration under the Restricted Stock Compensation System	—	→	Remuneration limit of ¥250 million per year *Outside Directors are not eligible.
2) Basic remuneration	Remuneration limit of ¥50 million per month	→	Remuneration limit of ¥950 million per year *Bonuses for Outside Directors will be abolished.
3) Bonus	Amount determined at General Meetings of Shareholders	→	

Audit & Supervisory Board Member

	Current		Proposed revision
1) Basic remuneration	Remuneration limit of ¥9 million per month	→	Remuneration limit of ¥130 million per year
2) Bonus	Amount determined at General Meetings of Shareholders	→	— *To be abolished

- END -

(Attached documents)

BUSINESS REPORT

(For the period from January 1 to December 31, 2016)

1. Overview of Kirin Group business operations

(1) Results of business operations

During the consolidated fiscal year under review, despite slight trends toward economic recovery in China and other emerging Asian countries as well as in the resource-producing countries, the world economy remained uncertain due to fluctuations in the international financial and capital markets, changes in political environments in countries, and concerns over geopolitical risk.

At the beginning of 2016, the Japanese economy was stagnant due to the appreciation of the yen and falling crude oil prices, but has been on a generally upward trend since the weakening of the yen due to the political and economic situation in the United States. Despite some weakness in personal spending, it has been strong overall supported by steady improvements in the employment and income environments, and maintained a gradual recovery as a whole.

In fiscal year 2016, the Kirin Group launched the Kirin Group Medium-Term Business Plan 2016-2018 ("2016 MTBP"), the first three-year plan aimed at achieving its new Long-Term Management Vision, the New Kirin Group Vision 2021 ("New KV2021"). Under the 2016 MTBP, in an effort to revitalize the Kirin Group by restructuring, we took initiatives to bolster the competitiveness of our businesses through clearly prioritized investments, with the highest priority placed on improving profitability (refer to page 37). As a result, during the consolidated fiscal year under review, with regard to the key initiatives, we made progress toward "restructuring and revitalizing low-profit businesses" ahead of schedule, particularly with regard to restoring the performance of Kirin Beverage Company, Limited and Brasil Kirin Participações e Representações S.A. ("Brasil Kirin Holding S.A."), and our progress toward "investing to achieve outstanding growth in the Pharmaceuticals and Bio-chemicals Business" was as planned. Meanwhile, there remained issues with regard to "investing, strengthening and growing profit base in the beer businesses," including in particular a year-on-year decline in sales volume of beer products overall at Kirin Brewery Company, Limited.

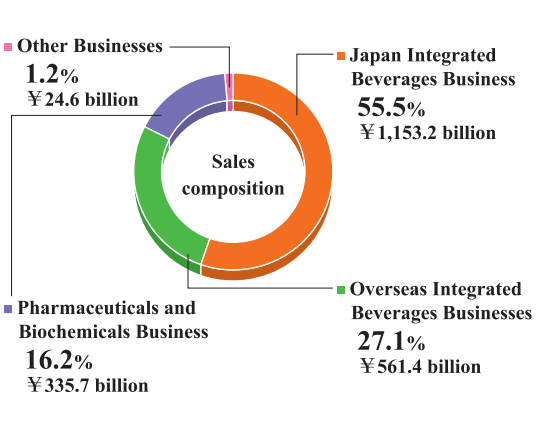
During the consolidated fiscal year under review, consolidated sales decreased reflecting factors such as, in the Japan Integrated Beverages Business, a decline in sales volume of beer products by Kirin Brewery Company, Limited and the effect of the change in the accounting process from the second quarter in Kirin Beverage Company, Limited to deduct part of its sales promotion expenses from sales, in addition to the impact of foreign currency fluctuations in the Overseas Integrated Beverages Businesses. Consolidated operating income increased mainly due to a significant profit increase in Kirin Beverage Company, Limited and progress in initiatives toward improving profitability by each Kirin Group company. Consolidated ordinary income also increased in association with the increase in operating income. Net income attributable to owners of the parent reached a record high, due to the increase in ordinary income and the posting of special income such as the recording of cancellation fees upon termination of the license agreement for the distribution of beer

products with Anheuser-Busch InBev in Australia. With regard to key performance indicators for the 2016 MTBP, ROE (return on equity) before amortization of goodwill, etc. in fiscal year 2016 was 21.9%, a major improvement from the previous fiscal year, and normalized[1] EPS (earnings per share) was ¥125, an increase from the previous fiscal year.

*1 Normalization: Removing special income and expenses and other non-recurring items to reflect actual earnings more accurately.

Results for the fiscal year under review

Consolidated sales	**¥2,075.0 billion** (down 5.5% compared to the previous fiscal year)
Consolidated operating income	**¥141.8 billion** (up 13.7% compared to the previous fiscal year)
Consolidated ordinary income	**¥140.6 billion** (up 9.7% compared to the previous fiscal year)
Net income attributable to owners of the parent	**¥118.1 billion** (–)

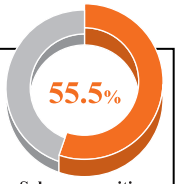


Reference

ROE before amortization of goodwill, etc.	21.9%	
Normalized EPS	¥125	(up 6.8% compared to the previous fiscal year)

Japan Integrated Beverages Business Division

Consolidated sales: ¥1,153.2 billion (down 3.2% compared to the previous fiscal year)
Consolidated operating income: ¥67.2 billion (up 40.1% compared to the previous fiscal year)



Sales composition

Major Products of Kirin Group Companies

Kirin Brewery Company, Limited

Kirin Ichiban Shibori, Kirin Tanrei Green Label, Kirin Nodogoshi Nama, Kirin Hyoketsu, Kirin Whisky FUJI-SANROKU 50 Degrees

Mercian Corporation

Château Mercian, Oishii-Sankaboshizai-Mutenka Wine, Frontera, *Casillero del Diablo*

Kirin Beverage Company, Limited

Kirin Gogo-no-Kocha, Kirin FIRE, Kirin Nama-cha, Kirin Sekai-no-Kitchen-Kara, Kirin Mets

In the Japan Integrated Beverages Business, we advanced the creation of value based on the message of "Quality with Surprise," in which we provide amazement and excitement to our customers through products and services generated by our core strength, namely, craftsmanship with attention to detail and a passion for the perfection of quality.

Kirin Brewery Company, Limited worked to strengthen its flagship brand *Kirin Ichiban Shibori* and develop craft beer[2] with an aim to revitalize the beer market. Total sales volume of the *Kirin Ichiban Shibori* brand grew year on year for the third consecutive year, thanks to positive reception of *Kirin 47 Todofuken no Ichiban Shibori*, which offers different tastes and characteristics for each of Japan's 47 prefectures. Additionally, in order to promote the growth of the craft beer market, a capital and business partnership agreement was concluded with The Brooklyn Brewery Corporation in the U.S. In the *happo-shu* and new genre categories, sales of *Kirin Tanrei Green Label* and other brands that pursue functional aspects were strong, but sales of *Kirin Tanrei Gokujo Nama* and *Kirin Nodogoshi Nama* was sluggish, which resulted in the year-on-year decline in sales volume of beer products overall. Meanwhile, the RTD[3] and western spirits categories saw strong sales, as the company promoted activities to enhance its brands in growth markets. Furthermore, the company worked to reduce the procurement costs of ingredients and materials and improve the production efficiency of its plants in an effort to strengthen its profit base.

Mercian Corporation continued to strengthen the value of its Japanese wine *Château Mercian* as a flagship brand. The brand received high accolades for winning numerous awards in wine competitions both in Japan and overseas. It also worked to strengthen its brand portfolio, aiming for the medium- to long-term expansion of the wine market. In terms of imported wine, the company focused in particular on the Chile wine *Casillero del Diablo*, the product in the medium-priced to high-end categories, and posted a significant year-on-year growth in sales volume. Sales volume of *Gyu gyu to Shibotta Sangria*, aimed at growing the wine-drinker base, also grew by a large margin.

At Kirin Beverage Company, Limited, sales volume of the flagship brand *Kirin Gogo-no-Kocha*, which marked the 30th anniversary of its launch, exceeded 50 million cases

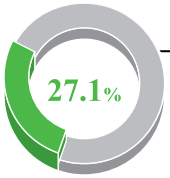
for the first time ever thanks to strong sales of its core products, milk tea, lemon tea, straight tea, and *Oishii Muto* (sugar-free). The performance of *Kirin Nama-cha*, for which an effort had been made to solidify its brand position in the sugar-free tea category, was very strong after a complete renewal in March. It sold 26.2 million cases, more than 1.5 times the initial target. In the coffee category, *Kirin FIRE* underwent a complete renewal in October with a view to strengthening the brand, leading to strong growth in sales volume. As a result, the overall sales volume of non-alcoholic beverages increased at a rate substantially exceeding that of the market. Alongside these efforts to increase brand value, the company worked to fundamentally reform its revenue structure through various means including thorough management of sales targets with a focus on products in cans and small PET bottles and improvement of manufacturing efficiency at its plants.

*2 The Company considers craft beer to be a beer where you can connect to the people who made it, sense their commitment, and enjoy the difference of flavors and its originality.

*3 Products of premixed low alcoholic beverages that can be enjoyed straight from the can or bottle. RTD is an acronym for “Ready to Drink.”

Overseas Integrated Beverages Businesses Division

Consolidated sales: ¥561.4 billion (down 10.1% compared to the previous fiscal year)
Consolidated operating income: ¥43.3 billion (up 30.2% compared to the previous fiscal year)



Sales composition

Major Products of Kirin Group Companies

Lion Pty Limited

Beer Spirits, and Wine: *XXXX GOLD, James Squire, Little Creatures,* **Dairy and Drinks:** *Dare, Dairy Farmers*

Brasil Kirin Holding S.A.

Alcoholic Beverages: *Schin, Devassa, Eisenbahn* **Soft Drinks:** *Viva Schin*

Myanmar Brewery Limited

Myanmar Beer, Andaman, Myanmar Premium

In the Beer, Spirits, and Wine Business, Lion Pty Limited continued to work on vitalizing the beer market to achieve sustainable growth and strengthening the business platform of major brands, especially the leading product *XXXX GOLD*, and of craft beer, which is a growth category. Sales volume of core craft beer brands *James Squire* and *Little Creatures* grew year on year, and Lion Pty Limited completed the acquisition of craft beer breweries in Australia and New Zealand that are showing growth. Meanwhile, following the termination of the license agreement for the distribution of beer products with Anheuser-Busch InBev, Lion Pty Limited ceased to distribute imported beer of Anheuser-Busch InBev in Australia in September. In the Dairy and Drinks Business, Lion Pty Limited continued to advance structural reform to improve profitability and reduce costs by revising our SCM[4] as a whole. The dairy beverages category, which the company focused on in the Dairy and Drinks Business, had strong sales of its leading brand *Dare*.

Brasil Kirin Holding S.A. worked to increase management efficiency and reform its revenue structure, while flexibly responding to changes in the market environment. Sales volume of beer products exceeded that of the previous fiscal year through sales activities tailored to each region's characteristics, with a focus on its leading product *Schin* in the north and northeast regions, while in the south and southeast regions, the focus was placed on products in the medium-priced and high-end categories, such as *Devassa*, which was renewed as a product in the medium-priced category, and premium beer *Eisenbahn*. In the Soft Drinks Business, the company posted an increase in sales volume of *Viva Schin*, the leading carbonated drink brand that underwent a major renewal in the previous fiscal year. It also worked to improve the management efficiency of its own distributor and reduce procurement costs, in an effort to reform the revenue structure. It also advanced the optimization of its manufacturing sites, selling a plant in the outskirts of Rio de Janeiro[5].

Myanmar Brewery Limited strove to instill the new management philosophy reflecting corporate philosophy of the Kirin Group while maintaining its original strengths, and maintain and reinforce its position as a leader of the Myanmar beer market. While sales volumes of the leading brand *Myanmar Beer* and a low-priced product *Andaman* increased, the company launched high-end products, *Myanmar Premium* and *KIRIN ICHIBAN* to

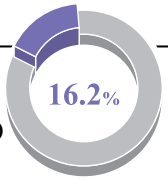
strengthen its brand portfolio. In addition, in order to respond to strong market demand, the company has been upgrading its production facilities and works to improve manufacturing efficiency with technical support on production from Kirin.

*4 SCM is an acronym for “Supply Chain Management.” SCM is to efficiently build and maintain a supply chain, from procurement of raw materials, to production in plants, and to supply, demand, and distribution of products.

*5 The plant was sold through the transfer of all shares in Cachoeiras de Macacu Bebidas Ltda., which is a subsidiary of Brasil Kirin Holding S.A. and the owner of the plant.

Pharmaceuticals and Bio-chemicals Business Division

Consolidated sales: ¥335.7 billion (down 5.6% compared to the previous fiscal year)
Consolidated operating income: ¥34.7 billion (down 25.8% compared to the previous fiscal year)



Sales composition

Major Products

Kyowa Hakko Kirin Company, Limited

NESP, REGPARA, G-Lasta, ALLELOCK, Patanol, LUMICEF, NOURIAST

Kyowa Hakko Bio Company, Limited

Kyowa Hakko Bio's health foods series (*Ornithine*, *Arginine EX*, etc.)

In the Pharmaceuticals Business of Kyowa Hakko Kirin Company, Limited, sales fell year on year due mainly to the penetration of generic products and the effects of the drug price revision in April. However, in the domestic market, the company posted strong sales of the leading product *NESP*[6], a long-acting erythropoiesis stimulating agent, *G-Lasta*[7], sustained duration G-CSF product, and *NOURIAST*, a therapeutic agent for Parkinson's disease through the strategic sales resource allocation. In addition, in September it launched the new product *LUMICEF* in Japan ahead of the other markets in the world, offering a new treatment option for psoriasis. Overseas, it worked to achieve penetration of the brand by unifying the corporate names of subsidiaries in Europe and the U.S. into KYOWA KIRIN and advanced efforts to expand business areas mainly for *Moventig*, an opioid-induced constipation treatment, which was newly launched in Europe, and to strengthen the foundation for the upcoming launch of its in-house products in the market. In terms of research and development, KRN23[8], which holds the key to dramatic growth, was granted Breakthrough Therapy Designation from the U.S. Food and Drug Administration (FDA) in June, and an application for approval was received by the European Medicines Agency (EMA) at the end of the year. Product development in Japan also proceeded smoothly.

In the Bio-Chemicals Business, domestic sales of the leading product *Ornithine* and new product *Arginine EX* were strong in the mail order business of Kyowa Hakko Bio Company, Limited. However, overseas sales declined year on year due mainly to the significant impact of the appreciation of the yen, as well as to the drop in prices of some pharmaceutical raw materials.

*6 *NESP*: A drug that can be used to alleviate renal anemia, which is one of the complications seen mainly in patients suffering from chronic kidney disease.

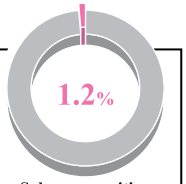
*7 *G-Lasta*: A drug that can be administered preventively to treat febrile neutropenia induced by chemotherapy.

*8 KRN23: A drug that is being developed as treatment for X-linked Hypophosphatemia (XLH), an uncommon, primarily genetic disorder that inhibits growth and maintenance of the bones. XLH is an uncommon disease that shows symptoms of rickets and osteomalacia.

Other Businesses Divisions

Consolidated sales: ¥24.6 billion **(down 3.1% compared to the previous fiscal year)**

Consolidated operating income: ¥3.3 billion **(down 13.7% compared to the previous fiscal year)**



Sales composition

Major Products

Koiwai Dairy Products Company, Limited

Koiwai Namanyu 100% Yogurt, Koiwai Namanyu Yogurt Creamy and Fat-free, Koiwai Margarine with Fermented Butter, Koiwai Margarine Healthy and Rich

Koiwai Dairy Products Company, Limited put efforts into sales activities with a focus on *Koiwai Namanyu 100% Yogurt*, the leading product that is unique to Koiwai, and advanced improvements to shift to a more profitable product lineup and cost reductions, resulting in increased income.

However, in the Other Businesses as a whole, both sales and income declined due to a major drop in facility utilization rate of Yokohama Arena owing to its large-scale renovations from January to June.

Long-Term Management Vision, New Kirin Group Vision 2021 (New KV2021)

Corporate philosophy
The Kirin Group—Focused on people, nature and craftsmanship to redefine the joy of food and well-being.

2021 Vision
Co-achieve sustainable growth with our societies by realizing value creation, addressing social issues and understanding consumer expectations via the core businesses* of the Kirin Group.

*Alcoholic beverages, non-alcoholic beverages, and pharmaceuticals and bio-chemicals

Kirin Group 2016-2018 Medium-Term Business Plan (2016 MTBP)

Basic policy	Restructure and revitalize Kirin, groupwide
Key initiatives	Implement specific strategies in accordance with the positioning of each business 1. Invest, strengthen and grow profit base in beer businesses (Kirin Brewery, Lion Beer, Spirits and Wine, Myanmar Brewery) 2. Restructure and revitalize low-profit businesses (Brasil Kirin, Kirin Beverage, Lion Dairy and Drinks) 3. Invest to achieve outstanding growth in Pharmaceuticals and Bio-chemicals Business (Kyowa Hakko Kirin)
Quantitative targets	Raising Group profitability is our top priority, targeting increased capital efficiency and sustained growth in shareholder value ROE (return on equity) before amortization of goodwill, etc.: 15%+ Normalized* EPS (earnings per share): 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 (earnings per share) 2017 annual dividend forecast: ¥39 per share Repayment of interest-bearing debt

* Normalization: Removing special income and expenses and other non-recurring items to reflect actual earnings more accurately.

(2) Future challenges

Among the key initiatives of the 2016 MTBP, there remained issues in fiscal year 2016 with regard to "Invest, strengthen and grow profit base in beer businesses" in light of the decline in sales volume at Kirin Brewery Company, Limited, an important pillar of the Kirin Group. At the same time, however, we are seeing the steady emergence of results that will lead to reform and regrowth in the future, including improvement in profitability at Kirin Beverage Company, Limited. In fiscal year 2017, therefore, we will seek to "restructure and revitalize Kirin, groupwide" by stepping up measures to address the three key initiatives laid out in the 2016 MTBP. As for investments aimed at growth, strengthening the profit base of Kirin Brewery Company, Limited will be our top priority.

Furthermore, based on the Group Vision set out in the New KV2021, the Kirin Group will make efforts to solve social issues and to deliver value to customers at the same time with the aim of realizing sustainable growth together with society, by leveraging the Kirin Group's technological capabilities, our strong point, through the core businesses of alcoholic beverages, non-alcoholic beverages, pharmaceuticals and bio-chemicals. In particular, with regard to initiatives to address social issues, we have positioned "health and well-being," "contribution to local communities," and "the environment," which are themes closely related to our business, as priority issues for the Kirin Group's long-term CSV[1] efforts, based on the premise of addressing alcohol-related problems as the responsibility of an alcoholic beverages manufacturer. Based on the Group's CSV commitment that sets out policy regarding the social contribution and initiatives aimed for by the Group with regard to these priority issues, each of major Kirin Group companies will realize the creation of social value and economic value through its respective business.

In addition, through the efforts of the Kirin Group as a whole, we will work to improve ROE before amortization of goodwill, etc. and normalized EPS, which are key performance indicators. We will make returns to shareholders based on a policy of paying stable dividends at a consolidated dividend payout ratio on normalized EPS of 30% or more.

With regard to corporate governance, the Kirin Group will organize an optimal governance system to realize the New KV2021 and promote collaboration with stakeholders[2], in accordance with the Corporate Governance Policy established in 2016. In particular, we will sincerely fulfill our accountability to our shareholders and investors by promptly disclosing information on the basis of transparency, fairness, and continuity while engaging in active and constructive dialogue.

As well, in order to make even greater use of the Group's capabilities, we will strengthen cooperation in areas such as research and development, SCM, and marketing among various Kirin Group employees throughout the world across businesses and regions. We will also enhance human resources development for those who will be responsible for managing the Group in the future through an enriched leadership program.

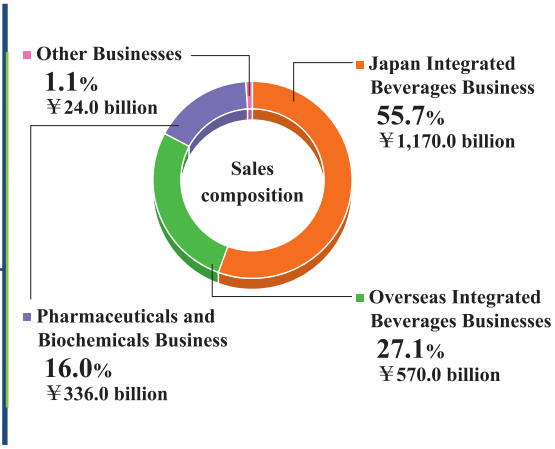
*1 CSV is an acronym for "Creating Shared Value." CSV is a management concept that seeks to enhance corporate value by addressing societal issues to create social value and to create economic value.

*2 Stakeholders refer in general to those involved in a company's activities. The Kirin Group considers customers, shareholders and investors, employees, communities,

business partners, and the environment to be common stakeholders of the Kirin Group.

Results forecast for the next fiscal year

Consolidated sales	**¥2,100.0 billion** (up 1.2% compared to the previous fiscal year)
Consolidated operating income	**¥143.0 billion** (up 0.8% compared to the previous fiscal year)
Consolidated ordinary income	**¥144.0 billion** (up 2.4% compared to the previous fiscal year)
Net income attributable to owners of the parent	**¥68.0 billion** (down 42.4% compared to the previous fiscal year)



Reference

ROE before amortization of goodwill, etc.	13.9%	
Normalized EPS	¥126	(up 0.8% compared to the previous fiscal year)

Japan Integrated Beverages Business Division

In anticipation of the revised liquor tax scheme set by the controlling political party in the FY2017 Tax Reform Proposal, Kirin Brewery Company, Limited will press ahead with building a robust brand portfolio by implementing a brand strategy that reflects a deep understanding of our customers and extends all the way to the store counter. In the challenging *happo-shu* and new genre categories, our goal is to recover sales volume through revitalization based on strategies tailored to the brand characteristics of each product. At the same time, with a view to the medium- to long-term vitalization of the beer market, we will further enhance the appeal of the beer category through new value proposals, including proactive activities to expand points of contact with craft beer customers in addition to activities to strengthen the *Kirin Ichiban Shibori* brand. Meanwhile, we aim to strengthen our business foundation by reforming our revenue structure through reduction of SCM costs and other measures. In order to provide value to customers with the unification of business activities from production to sales, Kirin Beer Marketing Company, Limited was integrated into Kirin Brewery Company, Limited in January 2017.

Mercian Corporation aims to achieve sustainable growth of the wine market as a whole by carrying out marketing activities focused on priority brands in each category. Through its flagship brand *Château Mercian*, Mercian Corporation will continue to increase awareness of the value of Japanese wine, which is marking 140 years since its birth, while contributing to the vitalization of grape-growing regions and communities. It will also make proposals to offer a wider range of drinking occasions for customers and to broaden the wine market base. Mercian Corporation will also work to boost the profitability of the wine business by developing fine wine and strengthening and enhancing established brands.

Kirin Beverage Company, Limited will press ahead further with building a robust brand portfolio to achieve sustained and profitable growth. Specifically, it will position *Kirin Gogo-no-Kocha*, *Kirin Nama-cha*, and *Kirin FIRE* as priority brands for creating new value based on the concept of "health and well-being" unique to Kirin. In addition, Kirin Beverage Company, Limited will work to further step up its transformation to a highly profitable business structure through measures such as continuing sales target management focused on products in cans and small PET bottles, strengthening efforts for each sales channel, and structural reforms aimed at reducing SCM costs.

Overseas Integrated Beverages Businesses Division

In the Beer, Spirits, and Wine Business, Lion Pty Limited will re-build the brand portfolio after termination of the beer distribution license agreement with Anheuser-Busch InBev by way of revitalizing its own brands and Kirin brands and allocating management resources to promotion of the expansion of growth categories such as craft beer, in order to achieve a recovery in profitability. Furthermore, it will continue to carry out aggressive advertising and educational activities to convey the innate value of beer with the aim of activating the mature beer market in Australia and New Zealand. In the dairy and drinks business, Lion Pty Limited will further bolster its sales capabilities in the targeted dairy beverages category, while continuing cost reduction efforts by revising SCM as a whole.

Profitability at Brasil Kirin Holding S.A. improved in fiscal year 2016 at a faster pace than originally planned, thanks to product sales strategies for each region and exhaustive profit structure reform. However, considering Brazil's unstable political and economic environment and the fierce competitive trend in the alcoholic and non-alcoholic beverages markets, we judged that there were certain limitations for Brasil Kirin Holding S.A. to achieve medium- to long-term growth on its own. We therefore concluded a share transfer agreement in February 2017, whereby all shares in Brasil Kirin Holding S.A. shall be transferred to Bavaria S.A., a subsidiary of Heineken International B.V. In the period up to the share transfer, we aim to further improve profitability by adopting sales strategies that respond flexibly to changes in the market environment and promoting profit structure reform through measures including improvement of SCM.

Myanmar Brewery Limited will build a robust brand portfolio by carrying out appropriate marketing for each product category in order to solidify its leading position in the Myanmar market. With the aim of improving organizational capabilities, it will promote awareness and understanding of the new management philosophy, while working to secure outstanding personnel and develop human resources by enhancing expertise. Furthermore, by acquiring shares in Mandalay Brewery Limited, it will secure beer manufacturing and shipment sites in northern Myanmar in an effort to establish a platform to respond to demand in Myanmar's expanding market. Capital investment will also be made to strengthen the production base, including installation of new brewing equipment at existing facilities.

Pharmaceuticals and Bio-chemicals Business Division

In the Pharmaceuticals Business of Kyowa Hakko Kirin Company, Limited, it will seek to evolve into a "global specialty pharmaceutical company" by launching or making applications for products according to a plan focused on global strategic products. In Japan, Kyowa Hakko Kirin Company, Limited will reinforce its customer relations excellence by promoting area strategies according to regional medical vision and strategic use of sales resources so that new products and priority products can quickly penetrate the pharmaceutical market. In the Bio-Chemicals Business, the company will further increase the value of branding products[3], enhance relationship-building with customers in the mail order business, and strengthen the pharmaceutical raw materials business. It will also press ahead with appropriate cost management and cost reductions while getting started on reorganization of production bases to boost productivity of plants.

*3 Branding products: Products differentiated from other companies' products through sales by independently giving ingredients, such as citicoline, a brand name rather than using

the name of the ingredients themselves.

Other Businesses Divisions

Koiwai Dairy Products Company, Limited will focus on its highly original *Koiwai Namanyu 100% Yogurt* and *Koiwai Namanyu Yogurt Creamy and Fat-free* in the fermented dairy category and build a further highly profitable brand portfolio.

We would like to ask all of our shareholders for their continued understanding and support in the future.

Kirin-Sri Lanka Friendship Project: Making a contribution to the tea-growing country of Sri Lanka while ensuring sustainable sourcing of raw materials

Kirin Gogo-no-Kocha, which was launched in 1986, marked its 30th anniversary in 2016. High quality tea leaves from Sri Lanka have been an important element supporting the authentic flavor of *Kirin Gogo-no-Kocha*. Approximately 60% of black tea leaves imported by Japan are grown in Sri Lanka, and about one-third of those leaves are used in the production of *Kirin Gogo-no-Kocha**.

* Research by Kirin, based on 2015 trade statistics of the Ministry of Finance in Japan.

The Kirin Group started the Kirin-Sri Lanka Friendship Project in 2007, the year following the 20th anniversary of the launch of *Kirin Gogo-no-Kocha*. The aim of the project is to build better partnerships with the producing region and people who work there, and to promote activities to increase the sustainability of the producing region. Two programs are currently being implemented.

Supporting Acquisition of Rainforest Alliance Certification

With the aim of preserving the ecosystem and improving the working and living environment of those who work on tea farms, the Kirin Group funds training for Sri Lankan tea farms to acquire Rainforest Alliance Certification, a sustainable farming certification system. Launched in 2013, the program has already seen training begun at a total of more than 90 tea farms and over 40 farms have been certified in the four years up to the end of 2016.

With certification, a system is put in place that ensures traceability extending to the farm, making it easier to grasp actual conditions on the farm.

Certification is also expected to trigger ripple effects such as greater management efficiency on farms and improvement in the quality of black tea leaves.

Establishment of Kirin Library

Since 2007, the Kirin Group has been carrying out a project to set up bookshelves, along with a gift of about 100 books, in Sri Lankan schools. By the end of 2016, donations had been made to over 100 schools, and the Kirin Group will continue to implement the project from 2017 onwards with a target of donating libraries to 100 schools over a five-year period.

We will continue to place great value on our partnerships with producers and will promote activities to increase the sustainability of the producing region. The Kirin Group aims for a happy future together with its customers by striving to resolve the three social issues, namely, “health and well-being,” “contribution to local communities,” and “the environment,” through its business.

(3) Assets and income

Item	175th term (Jan. 1, 2013 – Dec. 31, 2013)	176th term (Jan. 1, 2014 – Dec. 31, 2014)	177th term (Jan. 1, 2015 – Dec. 31, 2015)	178th term (Jan. 1, 2016 – Dec. 31, 2016)
Sales	¥2,254,585 million	¥2,195,795 million	¥2,196,925 million	¥2,075,070 million
Operating income	¥142,818 million	¥114,549 million	¥124,751 million	¥141,889 million
Ordinary income	¥132,134 million	¥94,211 million	¥128,199 million	¥140,676 million
Net income or loss attributable to owners of the parent	¥85,656 million	¥32,392 million	¥(47,329) million	¥118,158 million
Net income or loss per share	¥90.76	¥35.27	¥(51.87)	¥129.49
Net assets	¥1,300,726 million	¥1,335,711 million	¥938,083 million	¥946,083 million
Net assets per share	¥1,157.66	¥1,207.43	¥727.48	¥745.92
Total assets	¥2,896,456 million	¥2,965,868 million	¥2,443,773 million	¥2,348,166 million

Sales and operating income results by each business division are as follows:

(Sales) **(Millions of yen)**

Business division	175th term (Jan. 1, 2013 – Dec. 31, 2013)	176th term (Jan. 1, 2014 – Dec. 31, 2014)	177th term (Jan. 1, 2015 – Dec. 31, 2015)	178th term (Jan. 1, 2016 – Dec. 31, 2016)
Japan Integrated Beverages	1,180,175	1,152,957	1,191,554	1,153,254
Overseas Integrated Beverages	685,254	693,175	624,169	561,439
Pharmaceuticals and Bio-chemicals	331,377	325,149	355,777	335,733
Others	57,778	24,513	25,424	24,642
Total	2,254,585	2,195,795	2,196,925	2,075,070

(Operating income) **(Millions of yen)**

Business division	175th term (Jan. 1, 2013 – Dec. 31, 2013)	176th term (Jan. 1, 2014 – Dec. 31, 2014)	177th term (Jan. 1, 2015 – Dec. 31, 2015)	178th term (Jan. 1, 2016 – Dec. 31, 2016)
Japan Integrated Beverages	62,112	48,181	47,994	67,230
Overseas Integrated Beverages	30,673	31,250	33,259	43,309
Pharmaceuticals and Bio-chemicals	54,337	38,877	46,819	34,747
Others	3,749	3,083	3,860	3,331
(Inter-segment elimination and unallocatable costs)	(8,054)	(6,843)	(7,182)	(6,729)
Total	142,818	114,549	124,751	141,889

(Note) Sales of each business division indicate the sales to unaffiliated customers.

(4) Plant and equipment investment

Consolidated plant and equipment investment for the consolidated fiscal year under review amounted to ¥95.0 billion on a payment basis.

Major facilities completed during the consolidated fiscal year under review and under construction or contemplation as of the end of the term are as follows:

1) Major facilities completed during the consolidated fiscal year under review

Business division	Company name	Details of the plant and equipment investment
Overseas Integrated Beverages	Lion Pty Limited	Burnie Plant – Improvement of production facility for dairy products, etc.
	Brasil Kirin Holding S.A.	Igarassu Plant – Expansion of brewing facility in beer plant

2) Major facilities under construction or contemplation as of the end of the consolidated fiscal year under review

No matters to report under this item.

(5) Financing

The aggregate amount of loans payable, including bonds, was ¥648.6 billion as of the end of the consolidated fiscal year under review.

There are no matters requiring special mention concerning major financing during the consolidated fiscal year under review.

(6) Description of the major businesses

Major businesses are the production and sale of alcoholic beverages, non-alcoholic beverages, foods, pharmaceuticals, and other products. Major products by business division are as follows:

Business division	Major products
Japan Integrated Beverages	Alcoholic beverages including beer, *happo-shu*, new genre, wine, western spirits, etc. and non-alcoholic beverages
Overseas Integrated Beverages	Beer, western spirits, non-alcoholic beverages, dairy products, etc.
Pharmaceuticals and Bio-chemicals	Pharmaceuticals and bio-chemicals, etc.
Others	Dairy products, etc.

(7) Significant subsidiaries, etc.

1) Significant subsidiaries

Business division	Company name	Location	Capital	Ratio of shareholding	Description of major businesses
Japan Integrated Beverages	KIRIN Company, Limited	Nakano-ku, Tokyo	¥500 million	100%	Administration of Japan Integrated Beverages Business operations
	Kirin Brewery Company, Limited	Nakano-ku, Tokyo	¥30,000 million	100%	Production and sale of alcoholic beverages
	Kirin Beer Marketing Company, Limited	Nakano-ku, Tokyo	¥500 million	100%	Sale of alcoholic beverages
	Mercian Corporation	Nakano-ku, Tokyo	¥3,000 million	100%	Import, production and sale of alcoholic beverages
	Kirin Beverage Company, Limited	Chiyoda-ku, Tokyo	¥8,416 million	100%	Production and sale of non-alcoholic beverages
	Kirin Beverage Value Vendor Company, Limited	Nakano-ku, Tokyo	¥100 million	100%	Sale of non-alcoholic beverages
Overseas Integrated Beverages	Lion Pty Limited	New South Wales, Australia	A$7,530 million	100%	Management of alcoholic beverages and non-alcoholic beverages business in Oceania
	Brasil Kirin Holding S.A.	São Paulo, Brazil	R$5,521 million	100%	Management of beer and non-alcoholic beverages business in Brazil
Pharmaceuticals and Bio-chemicals	Kyowa Hakko Kirin Company, Limited	Chiyoda-ku, Tokyo	¥26,745 million	50.1%	Production and sale of prescription medicine

(Note) The ratio of shareholding includes indirect holdings.

2) Significant affiliated companies

Business division	Company name	Location	Capital	Ratio of shareholding	Description of major businesses
Overseas Integrated Beverages	San Miguel Brewery Inc.	Metro Manila, the Philippines	₱15,410 million	48.4%	Production and sale of beer
	China Resources Kirin Beverages (Greater China) Company, Limited	British Virgin Islands	U.S. $1,000	40.0%	Management of non-alcoholic beverages business in China
Pharmaceuticals and Bio-chemicals	Kirin-Amgen, Inc.	California, U.S.A.	U.S. $10	50.0%	Research and development of pharmaceuticals

(8) Major business offices, plants, etc.

1) Kirin Holdings Company, Limited

Head Office: 10-2, Nakano 4-chome, Nakano-ku, Tokyo, Japan

2) Subsidiaries

Business division	Company name	Major centers	
Japan Integrated Beverages	KIRIN Company, Limited	Head Office	Nakano-ku, Tokyo
		Laboratories	6 Laboratories including Brewing Technology Laboratory (Yokohama)
	Kirin Brewery Company, Limited	Head Office	Nakano-ku, Tokyo
		Plants	9 Plants including Yokohama Plant (Yokohama)
	Kirin Beer Marketing Company, Limited	Head Office	Nakano-ku, Tokyo
		Branch Offices	11 Regional Sales & Marketing Divisions including Metropolitan Regional Sales & Marketing Division (Chuo-ku, Tokyo)
	Mercian Corporation	Head Office	Nakano-ku, Tokyo
		Branch Offices	9 Branches including Metropolitan Regional Sales & Marketing Branch (Chuo-ku, Tokyo)
		Plants	3 Plants including Fujisawa Plant (Fujisawa)
	Kirin Beverage Company, Limited	Head Office	Chiyoda-ku, Tokyo
		Branch Offices	7 Area Divisions including Kanto Metropolis Area Division (Chiyoda-ku, Tokyo)
		Plants	Shonan Plant (Samukawa-machi, Koza-gun, Kanagawa), Shiga Plant (Taga-cho, Inukami-gun, Shiga)
	Kirin Beverage Value Vendor Company, Limited	Head Office	Nakano-ku, Tokyo
		Branch Offices	7 Branches including Metropolitan Regional Branch (Chiyoda-ku, Tokyo)
Overseas Integrated Beverages	Lion Pty Limited	Head Office	New South Wales, Australia
	Brasil Kirin Holding S.A.	Head Office	São Paulo, Brazil

Business division	Company name	Major centers	
Pharmaceuticals and Bio-chemicals	Kyowa Hakko Kirin Company, Limited	Head Office	Chiyoda-ku, Tokyo
		Branch Offices	13 Branches including Tokyo Branch (Chuo-ku, Tokyo)
		Plants	3 Plants including Takasaki Plant (Takasaki) and Fuji Plant (Nagaizumi-cho, Suntou-gun, Shizuoka)
		Laboratories	4 Laboratories including Tokyo Research Park (Machida) and Fuji Research Park (Nagaizumi-cho, Suntou-gun, Shizuoka)

(9) Employees

Business division	Number of employees (persons)
Japan Integrated Beverages	11,830
Overseas Integrated Beverages	20,104
Pharmaceuticals and Bio-chemicals	7,499
Others	260
Administration	40
Total	39,733

(Notes) 1. The number of employees indicates the number of employees currently on duty.
2. The number of employees indicated as Administration is the number of employees of the Company, which is a holding company (excluding employees seconded by the Company and including employees seconded to the Company).

(10) Significant business transfers to and from Kirin Group and acquisitions and disposals of shares of other companies

1) In November 2016, Kirin Brewery Company, Limited acquired 24.5% of outstanding shares (89,883 shares) in The Brooklyn Brewery Corporation in the U.S.
2) In December 2016, Brasil Kirin Holding S.A. transferred all shares in Cachoeiras de Macacu Bebidas Ltda. to Ambev S.A.

(11) Major lenders and the amount of loans

Lender	Outstanding amount of loan
Syndicated loans	¥160,918 million
Mitsubishi UFJ Trust and Banking Corporation	¥45,208 million

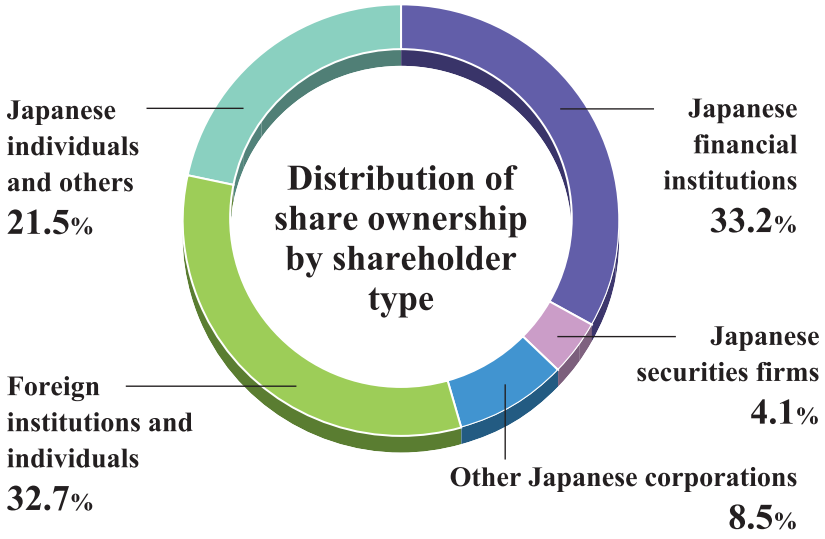
(Note) The syndicated loans consist of those arranged by The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the agent bank and those arranged by Mizuho Bank, Ltd. as the agent bank.

(12) Other important matters concerning business operations

In February 2017, the Company concluded a share transfer agreement whereby all shares in Brasil Kirin Holding S.A. shall be transferred to Bavaria S.A., a subsidiary of Heineken International B.V.

2. Shares

(1) Authorized shares	1,732,026,000 shares
(2) Outstanding shares	914,000,000 shares (No change from the end of the previous fiscal year)
(3) Number of shareholders	169,600 persons (Decreased by 5,374 persons from the end of the previous fiscal year)



(4) Major shareholders (top ten)

Name of shareholder	Number of shares held by the shareholder (thousand shares)	Ratio of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	53,885	5.9
Japan Trustee Services Bank, Ltd. (Trust account)	41,901	4.6
Meiji Yasuda Life Insurance Company	32,996	3.6
Japan Trustee Services Bank, Ltd. (Trust account 4)	17,463	1.9
STATE STREET BANK AND TRUST COMPANY 505225	17,058	1.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,501	1.6
STATE STREET BANK WEST CLIENT - TREATY 505234	12,644	1.4
Japan Trustee Services Bank, Ltd. (Trust account 7)	12,523	1.4
THE BANK OF NEW YORK MELLON 140044	11,179	1.2
THE BANK OF NEW YORK MELLON SA/NV 10	11,107	1.2

(Note) Ratio of shares held excludes treasury stock (1,484 thousand shares).

3. Company's Directors of the Board and Audit & Supervisory Board Members

(1) Names of Directors of the Board and Audit & Supervisory Board Members, etc.

Title	Name	Responsibilities	Significant positions concurrently held at other companies and organizations
President & Chief Executive Officer	Yoshinori Isozaki	–	President & Chief Executive Officer, KIRIN Company, Limited
Representative Director of the Board, Senior Executive Officer	Keisuke Nishimura	Responsible for Business Alliance and Investment Strategy; Overseas	Director, San Miguel Brewery Inc. Director, China Resources Kirin Beverages (Greater China) Company, Limited Director, Myanmar Brewery Limited
Director of the Board, Senior Executive Officer	Akihiro Ito	Responsible for Financial Strategy; IR; Information Strategy	Senior Executive Officer, KIRIN Company, Limited Director, Kirin Business System Company, Limited Director, Brasil Kirin Holding S.A. Director, Kyowa Hakko Kirin Company, Limited
Director of the Board, Senior Executive Officer	Junichi Nonaka	Responsible for R&D Strategy; Quality Assurance	Senior Executive Officer and President of Research and Development Div. of KIRIN Company, Limited Director, Lion Pty Limited
Director of the Board, Senior Executive Officer	Toshiya Miyoshi	Responsible for Personnel & General Affairs Strategy; Legal	Senior Executive Officer, KIRIN Company, Limited Director, San Miguel Brewery Inc.
Director of the Board	Toshio Arima	Chairman of the Board	Executive Advisor, Fuji Xerox Co., Ltd. Outside Director, Resona Holdings, Inc. Chairman of the Board, Global Compact Network Japan
Director of the Board	Shoshi Arakawa	–	Advisor, Bridgestone Corporation

Title	Name	Responsibilities	Significant positions concurrently held at other companies and organizations
Director of the Board*	Kimie Iwata	–	External Director, Japan Airlines Co., Ltd. Outside Director, STRIPE INTERNATIONAL INC. President, Japan Institute for Women's Empowerment & Diversity Management Audit and Inspection Commissioner, Tokyo Metropolitan Government
Director of the Board*	Katsunori Nagayasu	–	Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Outside Audit & Supervisory Board Member, NIPPON STEEL & SUMITOMO METAL CORPORATION Outside Audit & Supervisory Board Member, MITSUBISHI MOTORS CORPORATION Outside Director, Isetan Mitsukoshi Holdings Ltd. Outside Director, Mitsubishi Electric Corporation Vice Chair, KEIDANREN (Japan Business Federation)
Audit & Supervisory Board Member	Masahito Suzuki	–	Audit & Supervisory Board Member, KIRIN Company, Limited
Audit & Supervisory Board Member	Motoyasu Ishihara	–	Corporate Auditor, Kyowa Hakko Kirin Company, Limited

Title	Name	Responsibilities	Significant positions concurrently held at other companies and organizations
Audit & Supervisory Board Member	Fukutaka Hashimoto	–	Attorney at TOKYO HATCHOBORI LAW OFFICE Outside Corporate Auditor, Sompo Japan Nipponkoa Insurance, Inc.
Audit & Supervisory Board Member	Masakatsu Mori	–	Vice Chairman, International University of Japan Outside Director, SKY Perfect JSAT Holdings Inc. Outside Director, STANLEY ELECTRIC CO., LTD. Outside Director, YAMATO HOLDINGS CO., LTD.
Audit & Supervisory Board Member*	Chieko Matsuda	–	Professor, School of Business Administration, Department of Urban Liberal Arts, Tokyo Metropolitan University Professor, Department of Business Administration, Social Sciences, Tokyo Metropolitan University (Graduate School) External Director, SATO HOLDINGS CORPORATION Outside Independent Director, Hitachi Chemical Company, Ltd. Outside Independent Director, Foster Electric Company, Limited

(Notes) 1. Directors of the Board and Audit & Supervisory Board Member marked with an asterisk (*) newly assumed office as of March 30, 2016.

2. Mr. Toshio Arima, Mr. Shoshi Arakawa, Ms. Kimie Iwata and Mr. Katsunori Nagayasu are Outside Directors.

3. Mr. Fukutaka Hashimoto, Mr. Masakatsu Mori and Ms. Chieko Matsuda are

Outside Audit & Supervisory Board Members.

4. Business relations involving cash loans, etc. exist between the Company and The Bank of Tokyo-Mitsubishi UFJ, Ltd., where Director of the Board Mr. Katsunori Nagayasu holds a significant position concurrently.
5. Business relations involving membership fee payment, etc. exist between the Company and the KEIDANREN (Japan Business Federation), where Director of the Board Mr. Katsunori Nagayasu holds a significant position concurrently.
6. Audit & Supervisory Board Member Mr. Masahito Suzuki held the position of Director of the Board responsible for Group Financial Strategy at the Company and has a wealth of expertise in finance and accounting.
7. Audit & Supervisory Board Member Mr. Masakatsu Mori is a certified public accountant and has a wealth of expertise in finance and accounting.
8. Audit & Supervisory Board Member Ms. Chieko Matsuda serves as Principal Researcher of Japan Association for Chief Financial Officers and has a wealth of expertise in finance and accounting.
9. Directors of the Board Mr. Toshio Arima, Mr. Shoshi Arakawa and Ms. Kimie Iwata, Audit & Supervisory Board Members Mr. Fukutaka Hashimoto, Mr. Masakatsu Mori and Ms. Chieko Matsuda are independent officers as required by the provisions that Tokyo Stock Exchange, Inc., etc. prescribed.
10. The following Directors of the Board and Audit & Supervisory Board Member resigned as of March 30, 2016.

    Chairman of the Board, Mr. Senji Miyake

    Director of the Board, Mr. Shigemitsu Miki

    Audit & Supervisory Board Member, Ms. Kimie Iwata
11. The Company adopts an executive officer based system. Executive Officers who are not concurrently assuming the position of Director of the Board are as follows.

Title	Name	Responsibilities, etc.
Senior Executive Officer	Hiroshi Ogawa	PR Strategy Risk Management Director of the Board, Senior Executive Vice President, KIRIN Company, Limited
Senior Executive Officer	Seiichi Hashimoto	CSV Strategy Marketing Strategy Brand Strategy Director of the Board, Senior Executive Officer and President of CSV Division, KIRIN Company, Limited
Senior Executive Officer	Yasuyuki Ishii	SCM (Production, Logistics and Procurement) Strategy Director of the Board, Senior Executive Officer, KIRIN Company, Limited

Title	Name	Responsibilities, etc.
		Senior Executive Officer, General Manager of Production Division, Kirin Beverage Company, Limited
Senior Executive Officer	Ryosuke Mizouchi	In charge of the business in Brazil Director, Brasil Kirin Holding S.A.
Senior Executive Officer	Takeshi Minakata	In charge of the business in Myanmar Director & President, Myanmar Brewery Limited
Senior Executive Officer	Teruyuki Daino	Director of Corporate Strategy Senior Executive Officer and General Manager of Management Planning Department, KIRIN Company, Limited

(2) Remuneration, etc. to Directors of the Board and Audit & Supervisory Board Members for the fiscal year under review

Type	Annual remuneration (excluding bonus)		Bonus		Total (millions of yen)
	Number of persons	Amount (millions of yen)	Number of persons	Amount (millions of yen)	
Directors of the Board	11	288	9	149	437
Outside Directors	5	44	4	5	49
Audit & Supervisory Board Members	6	104	5	17	122
Outside Audit & Supervisory Board Members	4	35	3	3	39
Total	17	393	14	166	560
Outside Officers	9	80	7	8	88

(Notes) 1. Nine (9) Directors of the Board and five (5) Audit & Supervisory Board Members remain in their positions as of the end of the fiscal year under review. The total amount above includes the remuneration to two (2) Directors of the Board and one (1) Audit & Supervisory Board Member who resigned from office as of March 30, 2016.

2. Director of the Board Ms. Kimie Iwata assumed office as Director of the Board after she resigned from her position of Audit & Supervisory Board Member as of March 30, 2016. For the number of persons and the amount, she was included in Audit & Supervisory Board Members during her term of office as Audit & Supervisory Board Member, and in Directors of the Board during her term of office as Director of the Board, respectively.

3. The remuneration limit for Directors of the Board is ¥50 million per month (Resolved at the 164th Ordinary General Meeting of Shareholders on March 28, 2003).

4. The remuneration limit for Audit & Supervisory Board Members is ¥9 million per month (Resolved at the 167th Ordinary General Meeting of Shareholders on March 30, 2006).

5. The above bonus for Directors of the Board and Audit & Supervisory Board Members is an amount expected to be paid if the proposal No. 3 of this Ordinary General Meeting of Shareholders is approved as proposed.

(3) Major activities of Outside Officers during the fiscal year under review

Title	Name	Attendance at Board Meetings	Attendance at Audit & Supervisory Board Meetings	Statements contribution
Director of the Board	Toshio Arima	16 times of 16 meetings	–	He managed the Board Meetings in an active and efficient manner as Chairman of the Board, and he made instructive statements based on his wealth of experience and broad perspective as a corporate management executive.
	Shoshi Arakawa	16 times of 16 meetings	–	He made instructive statements based on his wealth of experience and broad perspective as a corporate management executive.
	Kimie Iwata	12 times of 12 meetings	–	She made instructive statements based on her wealth of experience and broad perspective in government administration and as a corporate management executive.
	Katsunori Nagayasu	10 times of 12 meetings	–	He made instructive statements based on his wealth of experience and broad perspective as a bank management executive.
Audit & Supervisory Board Member	Fukutaka Hashimoto	16 times of 16 meetings	17 times of 17 meetings	He made instructive statements based on his expertise as well as wealth of experience and broad perspective in corporate legal affairs as an attorney.
	Masakatsu Mori	16 times of 16 meetings	17 times of 17 meetings	He made instructive statements based on his wealth of experience and broad perspective as a management executive of a consulting firm.

Title	Name	Attendance at Board Meetings	Attendance at Audit & Supervisory Board Meetings	Statements contribution
	Chieko Matsuda	12 times of 12 meetings	12 times of 12 meetings	She made instructive statements based on her expertise as a university professor as well as her wealth of experience and broad perspective in corporate management.

(Notes) 1. The Board Meetings applicable to Director of the Board Ms. Kimie Iwata are only those held subsequent to her assumption of office on March 30, 2016. She attended all of four Board Meetings and all of five Audit & Supervisory Board Meetings as Audit & Supervisory Board Member, which were held prior to her resignation from the position of Audit & Supervisory Board Member as of the aforementioned date.

2. The Board Meetings applicable to Director of the Board Mr. Katsunori Nagayasu are only those held subsequent to his assumption of office on March 30, 2016.

3. The Board Meetings and the Audit & Supervisory Board Meetings applicable to Audit & Supervisory Board Member Ms. Chieko Matsuda are only those held subsequent to her assumption of office on March 30, 2016.

4. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Remuneration to the Accounting Auditor

1)	Amount of remuneration paid for services as the Accounting Auditor during the fiscal year under review	¥242 million
2)	Total amount of money and other property benefits to be paid by the Company and its subsidiaries for services during the fiscal year under review	¥539 million

(Notes) 1. The Company's Audit & Supervisory Board has made the agreement mentioned in Article 399, Paragraph 1 of the Japanese Companies Act regarding remuneration to the Accounting Auditor. In agreeing to such remuneration, the Company's Audit & Supervisory Board has, in light of the "Guidance on Cooperation with Accounting Auditor" announced by the Japan Audit & Supervisory Board Members Association, deliberated the adequacy of the scheduled audit hours and amount of remuneration proposed for the current fiscal year, by comparing the audit plans and the performance of the Accounting Auditor for the previous fiscal year and by confirming the progression of the hours of audits and the amount of remunerations.

2. The audit agreement between the Accounting Auditor and the Company does not separately stipulate audit remuneration for audit under the Japanese Companies Act or audit under the Financial Instruments and Exchange Act. Furthermore, such remuneration is practically indivisible. Hence, the remuneration referred to at 1) above does not separate these two payments.

3. The Company pays the Accounting Auditor for services including advice and guidance on the International Financial Reporting Standards (IFRS), which are beyond the scope of operations stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit operations).

4. Among the significant subsidiaries of the Company, the financial statements of three (3) companies including Kyowa Hakko Kirin Company, Limited are audited (limited to audits stipulated in the Japanese Companies Act or the Financial Instruments and Exchange Act (including similar foreign laws)) by a certified public accountant or an auditing firm (including overseas auditors possessing similar qualifications) other than the Accounting Auditor of the Company.

(3) Policy regarding decisions to dismiss or deny reappointment of Accounting Auditor

If the Company's Audit & Supervisory Board determines that any of the items of Article 340, Paragraph 1 of the Japanese Companies Act apply with respect to the Accounting Auditor, it shall dismiss the Accounting Auditor. Such dismissal shall require the unanimous agreement of all the Audit & Supervisory Board Members.

The Company's Audit & Supervisory Board will determine the content of proposals calling for the dismissal or denial of reappointment of the Accounting Auditor, which shall be submitted to the General Meeting of Shareholders if it is determined that a change of Accounting Auditor is necessary for reasons such as having difficulty in execution of duties by the Accounting Auditor as a result of a comprehensive evaluation from a perspective of qualification, expertise, independence from the Company, and other assessment standards.

5. Systems to ensure appropriate operation and the status of its implementation

(1) Basic policies for the internal control system

The Company resolved at the Board Meeting to adopt the following basic systems (the internal control system) to ensure the appropriate operation of the Company:

(1) System to ensure compliance of performance of duties by the Directors, etc.* and employees of Kirin Group companies with laws and the articles of incorporation (Compliance System)

***Directors, etc., refers to Directors of the Board, Executive Officers and other business administrators. Also hereinafter.**

The Directors of the Board of the Company shall decide upon the basic compliance policy for the Kirin Group and promote the policy by developing effective structures and provisions to execute the policy and by integrating it with the activities in each Kirin Group company. In addition, the Directors of the Board shall carry out educational programs on compliance, clarify procedures concerning responses to breaches of compliance, and make those procedures public throughout the Kirin Group companies. The Group Internal Audit of the Company (including the internal audit divisions of each Kirin Group company) shall carry out internal auditing to ensure that these systems are properly developed and applied.

Also, the Directors of the Board shall establish internal control reporting system to ensure reliability of the financial reports and conduct their operation and evaluation effectively and efficiently.

(2) System to ensure the proper preservation and maintenance of information regarding the performance of duties by the Directors of the Board of the Company (System of Information Preservation and Maintenance)

The Directors of the Board of the Company shall preserve the following documents (including electromagnetic record) together with the related materials for at least ten years and make them available for inspection as necessary.

- Minutes of General Meeting of Shareholders
- Minutes of Board Meetings
- Minutes of the Group Executive Committee and other significant meetings
- Approval applications (approval authority of Directors and above)
- Financial statements, business reports, and their detailed statements

(3) Regulations and other systems related to the control of the risk of loss of the Kirin Group (Risk Management System)

The Directors of the Board of the Company shall establish basic policy on the risk management of the Kirin Group and promote the policy by developing effective structures and provisions to execute the policy and by integrating it with activities in each Kirin Group company. In addition, the Directors of the Board shall implement educational programs on risk management, clarify procedures concerning the disclosure of risks and responses to the occurrence of crises, and make those procedures public throughout the Kirin Group companies. The Group Internal Audit of the Company (including the internal audit divisions

of each Kirin Group company) shall carry out internal auditing to ensure that these systems are properly developed and applied in each Kirin Group company.

(4) System to ensure the efficient performance of duties by the Directors, etc. of Kirin Group companies (Efficient Performance System)

The Directors of the Board of the Company shall develop a management control system comprising the following items to ensure the efficient performance of duties by Directors, etc. of the Kirin Group companies.

- In addition to Board Meetings, organizing the Group Executive Committee to deliberate significant matters affecting the entire Kirin Group, thereby ensuring that decisions are reached carefully based on considerations of multi-dimensional aspects;
- Appointing the Executive Officers, who are responsible for business administration, and also dispatching directors to each Kirin Group company to oversee appropriate and efficient performance of duties and decision making when necessary;
- Ensuring appropriate and efficient performance of duties according to the authority and decision-making rules based on the regulations on work authority of the Company; and
- Establishing quantitative and qualitative targets in the annual plan at each Kirin Group company and monitoring their performance by way of quarterly monitoring, etc.

(5) System for reporting performance of duties by the Directors, etc. of Kirin Group companies and other systems to ensure appropriate operations (System for Reporting Performance of Duties and Other Group Internal Control System)

In order to report performance of duties by the Directors, etc. of Kirin Group companies and to ensure other appropriate operations, the Directors of the Board of the Company shall develop rules and standards to be applied to each Kirin Group company, including the following items, and carry out operations in compliance with these rules and standards.

- Items related to the governance and monitoring of each Kirin Group company
- Items related to guidance and management concerning the maintenance of the internal control system for each Kirin Group company
- Items related to the communication system* within the Kirin Group companies
- Items related to the Group internal auditing system operated by the Group Internal Audit of the Company

* The system to share information within the Kirin Group, the compliance hotline system, and other related items.

(6) Items regarding assignment of employees as support staff for Audit & Supervisory Board Members of the Company when they request support staff (Audit & Supervisory Board Member Related System)

The Directors of the Board of the Company shall assign its employees as support staff for Audit & Supervisory Board Members of the Company.

(7) Items related to the assurance that the employees assigned as support staff as in the preceding provision remain independent from the Directors of the Board of the Company and to secure the effective implementation of directions by Audit & Supervisory Board Members of the Company to these employees

In order to ensure the independence of the employees assigned as support staff from the Directors of the Board of the Company, the consent of the Audit & Supervisory Board Members of the Company shall be required for any decision related to personnel affairs, including the appointment, transfer and assessment of such employees. Such employees shall not simultaneously assume any other assignment related to the operation of business and shall only follow instructions of the Audit & Supervisory Board Members of the Company.

(8) System to ensure reporting to Audit & Supervisory Board Members of the Company by Directors, Audit & Supervisory Members and employees of the Kirin Group companies

The Directors of the Board of the Company shall report to the Audit & Supervisory Board Members of the Company on matters specified by such members in advance in accordance with the provisions of the Audit & Supervisory Board Members' audit standard of the Company. Principal items are as follows.

- Any matter that may impose material damage to any Kirin Group company, upon discovery
- Matters that require the consent of Audit & Supervisory Board Members of the Company under the applicable laws
- The status of maintenance and implementation of internal control system of the Kirin Group companies

The Audit & Supervisory Board Member of the Company may request the Directors of the Board, Audit & Supervisory Board Members, and employees of each Kirin Group company to report on other matters any time as necessary.

The Directors of the Board, Audit & Supervisory Board Members, and employees of each Kirin Group company (including those who receive reports from these Directors of the Board, Audit & Supervisory Board Members and employees) may directly report matters that they judge to be appropriate to the Audit & Supervisory Board Members of the Company in order to ensure the appropriate operation of each Kirin Group company.

Audit & Supervisory Board Members of the Company shall receive a quarterly update on the operation of the compliance hotline system. Further, when necessary, they may request the immediate report on the operation of the said system.

(9) System to ensure that ones who make reports to the Audit & Supervisory Board Members as outlined in the preceding provision are not treated unfairly

The Directors of the Board of the Company shall prepare common regulations for the Kirin Group companies to ensure that ones who make reports to the Audit & Supervisory Board Members as outlined in the preceding provision are not treated unfairly for this reason, and shall make those regulations public throughout the Kirin Group companies and implement them appropriately.

(10) Policy for the pre-payment or reimbursement of expenses incurred in the performance of duties of the Audit & Supervisory Board Members of the Company

After discussions with Audit & Supervisory Board Members of the Company, the Directors of the Board of the Company shall set the policy for the pre-payment or reimbursement of expenses incurred in the performance of duties of the Audit & Supervisory Board Members of the Company.

(11) Other systems to ensure efficient auditing by Audit & Supervisory Board Members of the Company

Audit & Supervisory Board Members of the Company shall hold a regular meeting with the Representative Directors and Outside Directors of the Company for the exchange of opinions.

Further, the Directors of the Board of the Company shall establish systems to ensure effective auditing by Audit & Supervisory Board Members of the Company. This will include ensuring that Audit & Supervisory Board Members of the Company have the opportunity to attend the meetings of each Kirin Group company, at the request from the Audit & Supervisory Board Members of the Company.

(2) Implementation of internal control system

(1) System to ensure compliance of performance of duties by the Directors, etc. and employees of Kirin Group companies with laws and regulations, and the articles of incorporation (Compliance System)

The Kirin Group has established "Passion and Integrity" as "One Kirin" Values, the common values of the Kirin Group, and is making efforts to instill these values in Directors of the Board, Audit & Supervisory Board Members, Executive Officers and employees of each Kirin Group company. Additionally, the Kirin Group has defined its views on compliance in "Kirin Group Compliance Guidelines" and is also publicizing and carrying out educational programs in order to promote awareness throughout the Kirin Group. Further, rules on the compliance hotline system have been formulated and each Kirin Group company has developed and implemented a compliance hotline system, while they protect the anonymity of whistleblowers and prohibit unfair treatment against such whistleblowers.

(2) System to ensure the proper preservation and maintenance of information regarding the performance of duties by the Directors of the Board of the Company (System of Information Preservation and Maintenance)

The Company appropriately stores Minutes of Meetings of Shareholders, Minutes of Board Meetings and financial statements, etc., for the number of years pursuant to laws and regulations.

(3) Regulations and other systems related to the control of the risk of loss of the Kirin Group (Risk Management System)

The Kirin Group has established the "Group Risk Management Regulations" and the "Group Risk Management System Manual," which set forth the purpose, system and methods of risk management, and the "Group Crisis Management Manual," which sets forth procedures to be taken in the event of a crisis, and publicizes and applies these rules to each of the Kirin Group companies. Additionally, Group Risk and Compliance Committee meetings are held to review activities conducted regarding risk management, and deliberate and report on future activity plans.

(4) System to ensure the efficient performance of duties by the Directors, etc. of Kirin Group companies (Efficient Performance System)

The Company has clarified the decision-making rules, including the rules on matters to be resolved at the Board Meetings, based on the Rules of the Board. In the fiscal year under review, in addition to the Board Meetings held for a total of 16 times, the Group Executive Committee Meetings were held 9 times to deliberate prescribed matters. Additionally, the Company has adopted the executive officer system, in an effort to flexibly execute the strategies for each business and function, as well as to clarify the responsibility, and has been improving the efficiency of its decision-making.

The Company conducted performance management on each Kirin Group company through quarterly monitoring, etc., based on the Medium-Term Business Plan (from 2016 to 2018) and annual plans.

(5) System for reporting performance of duties by the Directors, etc. of Kirin Group companies and other systems to ensure appropriate operations (System for Reporting Performance of Duties and Other Group Internal Control System)

The Company has developed rules and standards related to the monitoring of each Kirin Group company based on the regulations on work authority and conducts monitoring on a quarterly basis.

Additionally, the Company's Board confirms the status of development and application of the internal control system each fiscal year.

(6) Items regarding employees as support staff for Audit & Supervisory Board Members of the Company when they request assignment of such support staff (Audit & Supervisory Board Member Related System)

The Company has established the Audit & Supervisory Board Support Section as a structure to assist duties of Audit & Supervisory Board Members in order to enhance the audit function performed by Audit & Supervisory Board Members.

(7) Items related to the assurance that the employees assigned as support staff under section (6) remain independent from the Directors of the Board of the Company and to secure the effective implementation of instructions by Audit & Supervisory Board Members of the Company to such employees

Dedicated employees who are assigned as support staff for the Company's Audit & Supervisory Board Members are independent from the performance of duties of the Company, and obey exclusively to the instructions and command of the Company's Audit & Supervisory Board Members.

(8) System to ensure reporting to Audit & Supervisory Board Members of the Company by Directors, Audit & Supervisory Members and employees of Kirin Group companies

Each Kirin Group company has developed a compliance hotline system, and reports on its status of implementation to the Company's Audit & Supervisory Board Members on a regular basis.

The Company is also aiming to establish an appropriate compliance hotline system for the entire Kirin Group, through the implementation of the "Kirin Group Direct Hotline to the Audit & Supervisory Board Members," which was established in the fiscal year 2015.

(9) System to ensure that persons who make reports to the Audit & Supervisory Board Members as outlined in the preceding provision are not treated unfairly

The Kirin Group has established rules related to the development and operation of the compliance hotline system, in order to ensure a system which protects the anonymity of ones making reports as mentioned in the preceding provision and which prohibits unfair treatment of such persons, and has implemented and publicized such rules throughout each of the Kirin Group companies.

(10) Policy for the pre-payment or reimbursement of expenses incurred in the performance of duties of the Audit & Supervisory Board Members of the Company

The Company has determined and appropriately implements policies related to prepayment or reimbursement procedures for expenses incurred in the performance of duties of the Audit & Supervisory Board Members of the Company.

(11) Other systems to ensure efficient auditing by Audit & Supervisory Board Members of the Company

During the fiscal year under review, the Company's Audit & Supervisory Board Members had interviews for a total of 4 times with President & Chief Executive Officer and exchanged information with Outside Directors for a total of 2 times, as well as participated in all of the Group Executive Committee Meetings held in the fiscal year under review.

(Note) Amounts and numbers of shares in this report are indicated by omitting fractions. Percentages are rounded to the nearest decimal place.

CONSOLIDATED BALANCE SHEET

(As of December 31, 2016)

(¥ millions)

ASSETS	
Current assets	**748,148**
Cash and time deposits	58,990
Notes and accounts receivable, trade	393,500
Merchandise and finished goods	135,335
Work in process	25,229
Raw materials and supplies	47,045
Deferred tax assets	30,179
Other	63,313
Allowance for doubtful accounts	(5,445)
Non-current assets	**1,600,018**
Property, plant and equipment	**705,204**
Buildings and structures	216,422
Machinery, equipment and vehicles	231,427
Land	159,008
Construction in progress	52,371
Other	45,973
Intangible assets	**401,910**
Goodwill	228,983
Other	172,927
Investments and other assets	**492,904**
Investment securities	396,057
Net defined benefit asset	9,432
Deferred tax assets	30,830
Other	61,800
Allowance for doubtful accounts	(5,216)
Total assets	**2,348,166**

LIABILITIES	
Current liabilities	**650,382**
Notes and accounts payable, trade	135,801
Short-term loans payable and long-term debt with current maturities	89,934
Commercial paper	45,000
Liquor taxes payable	80,513
Income taxes payable	21,162
Allowance for employees' bonuses	7,911
Allowance for bonuses for directors and company auditors	228
Accrued expenses	119,154
Other	150,675
Non-current liabilities	**751,700**
Bonds	194,994
Long-term debt	318,712
Deferred tax liabilities	49,348
Deferred tax liability due to land revaluation	1,106
Retirement benefits for directors and company auditors	249
Reserve for repairs and maintenance of vending machines	3,263
Reserve for environmental measures	619
Reserve for loss on litigation	20,299
Allowance for loss on plants reorganization	2,988
Net defined benefit liability	67,390
Deposits received	55,491
Other	37,236
Total liabilities	**1,402,082**

NET ASSETS	
Shareholders' equity	**728,945**
Common stock	102,045
Capital surplus	2
Retained earnings	629,024
Treasury stock, at cost	(2,126)
Accumulated other comprehensive income	**(48,282)**
Net unrealized gains on securities	60,170
Deferred gains or losses on hedges	(1,170)
Land revaluation difference	(1,959)
Foreign currency translation adjustments	(86,607)
Remeasurements of defined benefit plans	(18,716)
Subscription rights to shares	**562**
Non-controlling interests	**264,859**
Total net assets	**946,083**
Total liabilities and net assets	**2,348,166**

*Amounts are stated by omitting fractions less than ¥1 million.

CONSOLIDATED STATEMENT OF INCOME

(From January 1, 2016 to December 31, 2016)

		(¥ millions)
Sales		**2,075,070**
Cost of sales		1,157,692
Gross profit		**917,377**
Selling, general and administrative expenses		775,488
Operating income		**141,889**
Non-operating income		
Interest income	2,668	
Dividend income	2,695	
Equity in earnings of affiliates	11,849	
Other	3,676	20,889
Non-operating expenses		
Interest expense	13,252	
Loss on devaluation of derivatives	3,446	
Other	5,403	22,101
Ordinary income		**140,676**
Special income		
Gain on sale of property, plant and equipment and intangible assets	8,456	
Gain on sale of investment securities	7,229	
Gain on sale of shares of subsidiaries and affiliates	15,468	
Gain on termination of license agreements	24,699	
Gain on refund of foreign subsidiary's value added tax	9,649	
Other	1,819	67,321
Special expenses		
Loss on disposal of property, plant and equipment and intangible assets	3,325	
Loss on sale of property, plant and equipment and intangible assets	2,185	
Loss on impairment	473	
Loss on devaluation of investment securities	529	
Loss on sale of investment securities	289	
Business restructuring expense	13,303	
Other	7,128	27,234
Income before income taxes		**180,763**
Income taxes－current	53,330	
Income taxes－deferred	(6,233)	47,097
Net income		**133,666**
Net income attributable to non-controlling interests		15,508
Net income attributable to owners of the parent		**118,158**

*Amounts are stated by omitting fractions less than ¥1 million.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From January 1, 2016 to December 31, 2016)

(¥ millions)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on securities	Deferred gains or losses on hedges
Balance as of January 1, 2016	102,045	-	545,711	(2,103)	645,653	59,836	2,396
Changes of items during the period							
Dividends from surplus			(34,675)		(34,675)		
Net income attributable to owners of the parent			118,158		118,158		
Acquisition of treasury stock				(24)	(24)		
Disposal of treasury stock		0		1	1		
Change of scope of consolidation			(11)		(11)		
Change of scope of equity method			(158)		(158)		
Change in shareholder's interest due to transaction with non-controlling interest		1			1		
Net changes of items other than shareholders' equity						333	(3,567)
Total changes of items during the period	-	2	83,312	(23)	83,291	333	(3,567)
Balance as of December 31, 2016	102,045	2	629,024	(2,126)	728,945	60,170	(1,170)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of January 1, 2016	(2,020)	(28,468)	(13,555)	18,188	430	273,810	938,083
Changes of items during the period							
Dividends from surplus							(34,675)
Net income attributable to owners of the parent							118,158
Acquisition of treasury stock							(24)
Disposal of treasury stock							1
Change of scope of consolidation							(11)
Change of scope of equity method							(158)
Change in shareholder's interest due to transaction with non-controlling interest							1
Net changes of items other than shareholders' equity	61	(58,139)	(5,160)	(66,471)	132	(8,951)	(75,290)
Total changes of items during the period	61	(58,139)	(5,160)	(66,471)	132	(8,951)	8,000
Balance as of December 31, 2016	(1,959)	(86,607)	(18,716)	(48,282)	562	264,859	946,083

*Amounts are stated by omitting fractions less than ¥1 million.

BALANCE SHEET

(As of December 31, 2016)

	(¥ millions)
ASSETS	
Current assets	**178,701**
Cash and time deposits	8,685
Short-term loans receivable	149,929
Deferred tax assets	90
Other	19,996
Non-current assets	**1,509,536**
Property, plant and equipment	**20,600**
Buildings	13,258
Structures	832
Machinery and equipment	11
Vehicles	2
Tools, furniture and fixtures	1,460
Land	5,007
Construction in progress	26
Intangible assets	**63**
Investments and other assets	**1,488,872**
Investment securities	72,264
Shares of subsidiaries and affiliates	1,408,681
Other	8,934
Allowance for doubtful accounts	(1,007)
Total assets	**1,688,238**

LIABILITIES	
Current liabilities	**369,019**
Short-term loans payable and long-term debt with current maturities	312,193
Commercial paper	45,000
Non-trade accounts payable	8,633
Accrued expenses	1,213
Allowance for employees' bonuses	162
Allowance for bonuses for directors and company auditors	149
Other	1,667
Non-current liabilities	**519,356**
Bonds	194,994
Long-term debt	296,786
Employees' pension and retirement benefits	81
Deferred tax liabilities	12,915
Other	14,578
Total liabilities	**888,376**

NET ASSETS	
Shareholders' equity	**770,893**
Common stock	**102,045**
Capital surplus	**81,412**
Additional paid-in capital	81,412
Other capital surplus	0
Retained earnings	**589,561**
Legal reserve	25,511
Other retained earnings	564,050
Reserve for deferred gain on sale of property	544
General reserve	506,367
Retained earnings carried forward	57,137
Treasury stock, at cost	**(2,126)**
Valuation and translation adjustments	**28,968**
Net unrealized gains on securities	**28,968**
Total net assets	**799,861**
Total liabilities and net assets	**1,688,238**

*Amounts are stated by omitting fractions less than ¥1 million.

STATEMENT OF INCOME

(From January 1, 2016 to December 31, 2016)

(¥ millions)

Operating revenue		
Group management revenue	832	
Revenue from real estate business	3,115	
Dividend revenue from subsidiaries and affiliates	73,646	77,593
Operating expenses		
Expenses of real estate business	918	
General and administrative expenses	7,469	8,387
Operating income		**69,206**
Non-operating income		
Interest and dividend income	2,760	
Other	626	3,386
Non-operating expenses		
Interest expense	6,613	
Net foreign currency translation loss	1,344	
Other	354	8,311
Ordinary income		**64,281**
Special income		
Gain on sale of property, plant and equipment and intangible assets	594	
Gain on sale of investment securities	6,850	7,444
Special expenses		
Loss on sale and disposal of property, plant and equipment and intangible assets	245	
Loss on sale of investment securities	274	
Other	47	567
Income before income taxes		**71,157**
Income taxes – current		2,896
Income taxes – deferred		497
Net income		**67,763**

*Amounts are stated by omitting fractions less than ¥1 million.

STATEMENT OF CHANGES IN NET ASSETS

(From January 1, 2016 to December 31, 2016)

(¥ millions)

	Shareholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Reserve for deferred gain on sale of property	General reserve	Retained earnings carried forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2016	102,045	81,412	−	81,412	25,511	551	686,367	(155,956)	556,473	(2,103)	737,828
Changes of items during the period											
Provision of reserve for deferred gain on sale of property						13		(13)	-		-
Transfer to reserve for deferred gain on sale of property						(19)		19	-		-
Transfer to general reserve							(180,000)	180,000	-		-
Dividends from surplus								(17,338)	(17,338)		(17,338)
Dividends from surplus (interim dividends)								(17,337)	(17,337)		(17,337)
Net income								67,763	67,763		67,763
Acquisition of treasury stock										(24)	(24)
Disposal of treasury stock			0	0						1	1
Net changes of items other than shareholders' equity											
Total changes of items during the period	-	-	0	0	-	(6)	(180,000)	213,094	33,087	(23)	33,064
Balance as of December 31, 2016	102,045	81,412	0	81,412	25,511	544	506,367	57,137	589,561	(2,126)	770,893

	Valuation and translation adjustments		Total net assets
	Net unrealized gains on securities	Total valuation and translation adjustments	
Balance as of January 1, 2016	33,669	33,669	771,497
Changes of items during the period			
Provision of reserve for deferred gain on sale of property			-
Transfer to reserve for deferred gain on sale of property			-
Transfer to general reserve			-
Dividends from surplus			(17,338)
Dividends from surplus (interim dividends)			(17,337)
Net income			67,763
Acquisition of treasury stock			(24)
Disposal of treasury stock			1
Net changes of items other than shareholders' equity	(4,700)	(4,700)	(4,700)
Total changes of items during the period	(4,700)	(4,700)	28,364
Balance as of December 31, 2016	28,968	28,968	799,861

*Amounts are stated by omitting fractions less than ¥1 million.

Independent Auditor's Report

February 13, 2017

The Board of Directors
Kirin Holdings Company, Limited

KPMG AZSA LLC

Hiroto Kaneko (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masakazu Hattori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Makoto Yamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Kirin Holdings Company, Limited as at December 31, 2016 and for the year from January 1, 2016 to December 31, 2016 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Kirin Holdings Company, Limited and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

1. As discussed in Notes for Changes in Accounting Policies to the consolidated financial statements, with respect to the depreciation method for property, plant and equipment, Kirin Holdings Company, Limited and its consolidated subsidiaries that belong to the Japan Integrated Beverages Business had previously adopted the declining-balance method except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which were depreciated using the straight-line method. However, starting from the year ended December 31, 2016, the method has been changed to the straight-line method for all assets. At the same time, the useful lives for certain property, plant and equipment have been revised.
2. As discussed in Notes for Subsequent Events to the consolidated financial statements, Kirin Holdings Company, Limited resolved to transfer all shares in Brasil Kirin Holding S.A., the Company's consolidated subsidiary, at the Board Meeting held on February 13, 2017, and concluded a share transfer agreement on the same date. The conditions for the transfer of the shares stipulate that the transaction is subject to examination and approval by the relevant authorities.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report in Japanese as required by the Companies Act.

Independent Auditor's Report

February 13, 2017

The Board of Directors
Kirin Holdings Company, Limited

KPMG AZSA LLC

Hiroto Kaneko(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masakazu Hattori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Makoto Yamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Kirin Holdings Company, Limited as at December 31, 2016 and for the year from January 1, 2016 to December 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Kirin Holdings Company, Limited for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes for Subsequent Events to the financial statements. Kirin Holdings Company, Limited resolved to transfer all shares in Brasil Kirin Holding S.A., the Company's consolidated subsidiary, at the Board Meeting held on February 13, 2017, and concluded a share transfer agreement on the same date. The conditions for the transfer of the shares stipulate that the transaction is subject to examination and approval by the relevant authorities.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report in Japanese as required by the Companies Act.

[English translation of the Audit & Supervisory Board Members' Report originally issued in the Japanese language]

Audit & Supervisory Board Members' Report

We the Audit & Supervisory Board Members of the Company, based on the audit reports prepared by each Audit & Supervisory Board Member regarding the performance of duties by the Directors of the Board during the 178th business year from January 1, 2016, to December 31, 2016, prepared this audit report upon deliberation and hereby report as follows:

1. Audit Methods by Audit & Supervisory Board Members and the Audit & Supervisory Board and its Details

(1) The Audit & Supervisory Board established audit policy of this term, planning of audits, etc., and received reports from each Audit & Supervisory Board Member regarding the state of implementation of his or her audits and results thereof, as well as received reports from the Directors of the Board, etc., and the Accounting Auditor regarding performance of their duties, and sought explanations whenever necessity arose.

(2) Each Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, in accordance with the audit policy of this term, planning of audits, etc., communicated with the Directors of the Board, the internal audit department, other employees, etc., and made efforts to collect information and improve audit environment, and conducted audits in the following methods:

1) We attended the Board Meetings and other important meetings, received reports from the Directors of the Board, employees, etc., regarding the state of performance of their duties, sought explanations whenever necessity arose, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and other main business offices of the Company. With respect to subsidiaries, we communicated and exchanged information with directors, audit & supervisory board members, etc., of the subsidiaries, and visited subsidiaries whenever necessity arose to make investigation into the state of activities and property thereof.

2) We monitored and verified the status of the construction and implementation by the Directors of the Board of the system for ensuring that the performance of duties by the Directors of the Board listed on the business report conforms to the laws, regulations and Articles of Incorporation, as well as the resolutions of the Board regarding the improvement of the system stipulated in Article 100, Paragraph (1) and Paragraph (3) of the Ordinance for Enforcement of the Japanese Companies Act and the status of the establishment and operation of the system (internal controls system) that is prepared based on the resolutions, which are necessary for ensuring an appropriateness of operations of a joint stock corporation and corporate group comprised of its subsidiaries.

3) We monitored and verified whether the Accounting Auditor maintained their independence and implemented appropriate audits, and we received reports from the Accounting Auditor regarding the state of performance of their duties and sought explanations whenever necessity arose. In addition, we received notice from the Accounting Auditor that "The systems for ensuring the proper performance of duties" (matters set forth in each item of Article 131 of the Rules of Corporate Financial Calculation) is organized in accordance with the "Standards for Quality Control of Audit" (Business

Accounting Council, October 28, 2005) and other relevant standards, and sought explanations whenever necessity arose.

Based on the above methods, we examined the business report and supporting schedules, financial statements (balance sheet, statement of income, statement of changes in net assets, and related notes) and the supporting schedules related to the relevant business term, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and related notes).

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

1) In our opinion, the business report and the supporting schedules fairly presents the state of the Company in accordance with the laws, regulations and Articles of Incorporation.

2) In connection with the performance of duties by the Directors of the Board, no dishonest act or material fact of violation of laws, regulations, or the Articles of Incorporation exists.

3) In our opinion, the contents of the resolutions of the Board regarding the internal controls system, including internal controls related to financial reporting, are fair and reasonable. In addition, we have not found anything that would need to be pointed out in relation to the performance of duties by the Directors of the Board regarding the internal controls system.

(2) Results of Audit of Financial Statements and Supporting Schedules

In our opinion, the methods and results of audit conducted by the Accounting Auditor, KPMG AZSA LLC are proper.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results of audit conducted by the Accounting Auditor, KPMG AZSA LLC are proper.

February 16, 2017

Audit & Supervisory Board
Kirin Holdings Company, Limited

Masahito Suzuki (Seal)
Audit & Supervisory Board Member

Motoyasu Ishihara (Seal)
Audit & Supervisory Board Member

Fukutaka Hashimoto (Seal)
Outside Audit & Supervisory Board Member

Masakatsu Mori (Seal)
Outside Audit & Supervisory Board Member

Chieko Matsuda (Seal)
Outside Audit & Supervisory Board Member

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