KIRIN HOLDINGS COMPANY, LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Consolidated Statement of Financial Position

Kirin Holdings Company, Limited and Consolidated Subsidiaries

At December 31, 2017 and 2016, January 1, 2016

(¥ millions)

ASSETS	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Non-current assets			
Property, plant and equipment (Notes 6 and 9)	¥ 633,161	¥ 638,195	**¥ 556,223**
Goodwill (Notes 7 and 9)	271,980	257,033	**261,900**
Intangible assets (Notes 8 and 9)	206,708	203,924	**184,096**
Equity-accounted investees (Notes 5 and 36)	251,429	254,162	**210,780**
Other financial assets (Note 10)	254,550	210,243	**208,535**
Other non-current assets	20,095	17,932	**15,799**
Deferred tax assets (Note 11)	63,699	72,826	**96,727**
Total non-current assets	1,701,621	1,654,315	**1,534,060**
Current assets			
Inventories (Note 12)	228,458	205,190	**194,837**
Trade and other receivables (Note 13)	431,335	434,229	**395,263**
Other financial assets (Note 10)	16,201	26,847	**3,362**
Other current assets	32,951	35,747	**34,303**
Cash and cash equivalents (Note 14)	79,740	66,499	**160,913**
(Sub-total)	788,685	768,511	**788,678**
Assets held for sale (Note 15)	-	-	**76,344**
Total current assets	788,685	768,511	**865,023**
Total assets	¥2,490,306	¥2,422,825	**¥2,399,082**

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
			(¥ millions)
Equity			
Share capital (Note 16)	¥ 102,046	¥ 102,046	**¥ 102,046**
Share premium (Note 16)	-	2	**2,208**
Retained earnings (Note 16)	484,872	597,638	**811,520**
Treasury shares (Note 16)	(2,104)	(2,127)	**(2,020)**
Reserves (Note 16)	60,565	8,565	**44,141**
Equity attributable to owners of the Company	645,379	706,124	**957,895**
Non-controlling interests (Note 35)	254,864	253,064	**271,311**
Total equity	900,243	959,188	**1,229,206**
Liabilities			
Non-current liabilities			
Bonds and borrowings (Note 17)	637,429	511,536	**362,622**
Other financial liabilities (Notes 17 and 18)	95,593	93,265	**88,275**
Defined benefit liability (Note 19)	67,515	74,799	**66,016**
Provisions (Note 20)	44,136	40,811	**7,385**
Other non-current liabilities (Note 22)	18,308	14,421	**13,282**
Deferred tax liabilities (Note 11)	46,686	43,342	**18,851**
Total non-current liabilities	909,666	778,174	**556,432**
Current liabilities			
Bonds and borrowings (Note 17)	154,393	156,676	**123,852**
Trade and other payables (Note 21)	250,310	246,519	**224,887**
Other financial liabilities (Notes 17 and 18)	66,490	65,675	**55,109**
Current tax liabilities	17,286	17,039	**9,853**
Provisions (Note 20)	1,594	1,005	**1,005**
Other current liabilities (Note 22)	190,325	198,550	**194,628**
(Sub-total)	680,397	685,464	**609,334**
Liabilities associated with assets held for sale (Note 15)	-	-	**4,111**
Total current liabilities	680,397	685,464	**613,445**
Total liabilities	1,590,063	1,463,638	**1,169,877**
Total equity and liabilities	¥2,490,306	¥2,422,825	**¥2,399,082**

Consolidated Statement of Profit or Loss

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2017 and 2016

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Continuing operations		
Revenue (Notes 5 and 23)	¥1,853,937	**¥1,863,730**
Cost of sales	1,066,642	**1,051,196**
Gross profit	787,296	**812,534**
Selling, general and administrative expenses (Note 24)	605,313	**618,215**
Other operating income (Note 25)	40,394	**46,853**
Other operating expenses (Notes 9 and 26)	25,786	**30,106**
Operating profit	196,590	**211,066**
Finance income (Note 27)	3,963	**4,829**
Finance costs (Note 27)	9,329	**11,084**
Share of profit of equity-accounted investees (Note 36)	16,926	**26,519**
Gain on sale of equity-accounted investees	-	**2,448**
Profit before tax	208,151	**233,776**
Income tax expense (Note 11)	50,051	**51,946**
Profit from continuing operations	158,100	**181,831**
Discontinued operations		
Profit from discontinued operations (Note 38)	8,190	**84,980**
Profit	166,290	**266,810**
Profit attributable to		
Owners of the Company	148,918	**242,057**
Non-controlling interests (Note 35)	17,372	**24,753**
Profit	¥ 166,290	**¥ 266,810**
Earnings per share (Yen)		
Basic earnings per share (Note 30)		
Continuing operations	¥ 154.22	**¥ 172.12**
Discontinued operations	8.98	**93.12**
Basic earnings per share	163.19	**265.24**
Diluted earnings per share (Note 30)		
Continuing operations	¥ 154.21	**¥ 172.10**
Discontinued operations	8.98	**93.12**
Diluted earnings per share	163.18	**265.22**

Note: Except for the disclosure in Note 38. Discontinued operations, notes to the consolidated statement of profit or loss are related to continuing operations.

Consolidated Statement of Comprehensive Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2017 and 2016

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Profit	¥166,290	**¥266,810**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in equity instruments measured at fair value through other comprehensive income (Note 29)	(3,782)	**18,872**
Remeasurements of defined benefit plans (Note 29)	(7,220)	**10,282**
Share of other comprehensive income of equity-accounted investees (Note 29)	(270)	**492**
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations (Note 29)	(28,704)	**7,389**
Cash flow hedges (Note 29)	(1,851)	**3,100**
Share of other comprehensive income of equity-accounted investees (Note 29)	(22,007)	**7,784**
Total other comprehensive income	(63,835)	**47,918**
Comprehensive income	¥102,456	**¥314,729**
Comprehensive income attributable to		
Owners of the Company	¥ 95,442	**¥286,149**
Non-controlling interests (Note 35)	7,014	**28,579**
Comprehensive income	¥102,456	**¥314,729**

Consolidated Statement of Changes in Net Assets

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the year ended December 31, 2016

(¥ millions)

	Equity attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Treasury shares
Balance at January 1, 2016	¥102,046	¥ -	¥484,872	¥(2,104)
Profit	-	-	148,918	-
Other comprehensive income	-	-	-	-
Comprehensive income	-	-	148,918	-
Dividends (Note 16)	-	-	(34,676)	-
Acquisition of treasury shares (Note 16)	-	-	-	(24)
Reissuance of treasury shares (Note 16)	-	0	-	1
Share-based payments (Note 31)	-	-	-	-
Changes in the ownership interest of a subsidiary without a loss of control	-	2	-	-
Transfer from reserves to retained earnings	-	-	(1,476)	-
Other	-	-	-	-
Total transactions with owners of the Company	-	2	(36,152)	(23)
Balance at December 31, 2016	¥102,046	¥ 2	¥597,638	¥(2,127)

	Equity attributable to owners of the Company							
	Reserves							
	Net change in equity instruments measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Foreign currency translation differences on foreign operations	Cash flow hedges	Total	Total	Non-controlling interests	Total equity
Balance at January 1, 2016	¥63,843	¥ -	¥ -	¥(3,278)	¥60,565	¥645,379	¥254,864	¥900,243
Profit	-	-	-	-	-	148,918	17,372	166,290
Other comprehensive income	(3,381)	(6,506)	(41,736)	(1,853)	(53,476)	(53,476)	(10,359)	(63,835)
Comprehensive income	(3,381)	(6,506)	(41,736)	(1,853)	(53,476)	95,442	7,014	102,456
Dividends (Note 16)	-	-	-	-	-	(34,676)	(9,005)	(43,681)
Acquisition of treasury shares (Note 16)	-	-	-	-	-	(24)	-	(24)
Reissuance of treasury shares (Note 16)	-	-	-	-	-	1	-	1
Share-based payments (Note 31)	-	-	-	-	-	-	132	132
Changes in the ownership interest of a subsidiary without a loss of control	-	-	-	-	-	2	(4)	(2)
Transfer from reserves to retained earnings	(5,030)	6,506	-	-	1,476	-	-	-
Other	-		-	-	-	-	63	63
Total transactions with owners of the Company	(5,030)	6,506	-	-	1,476	(34,697)	(8,814)	(43,511)
Balance at December 31, 2016	¥55,432	¥ -	¥(41,736)	¥(5,131)	¥ 8,565	¥706,124	¥253,064	¥959,188

For the year ended December 31, 2017

(¥ millions)

	Equity attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Treasury shares
Balance at January 1, 2017	**¥102,046**	**¥ 2**	**¥597,638**	**¥(2,127)**
Profit	-	-	**242,057**	-
Other comprehensive income	-	-	-	-
Comprehensive income	-	-	**242,057**	-
Dividends (Note 16)	-	-	**(36,959)**	-
Acquisition of treasury shares (Note 16)	-	-	-	**(56)**
Reissuance of treasury shares (Note 16)	-	**0**	-	**1**
Change of scope of consolidation	-	-	-	-
Share-based payments (Note 31)	-	**76**	-	**162**
Changes in the ownership interest of a subsidiary without a loss of control	-	**2,130**	-	-
Transfer from reserves to retained earnings	-	-	**8,784**	-
Other	-	-	-	-
Total transactions with owners of the Company	-	**2,206**	**(28,175)**	**107**
Balance at December 31, 2017	**¥102,046**	**¥ 2,208**	**¥811,520**	**¥(2,020)**

	Equity attributable to owners of the Company							
	Reserves							
	Net change in equity instruments measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Foreign currency translation differences on foreign operations	Cash flow hedges	Total	Total	Non-controlling interests	Total equity
Balance at January 1, 2017	**¥55,432**	**¥ -**	**¥(41,736)**	**¥(5,131)**	**¥ 8,565**	**¥706,124**	**¥253,064**	**¥ 959,188**
Profit	-	-	-	-	-	**242,057**	**24,753**	**266,810**
Other comprehensive income	**18,149**	**8,726**	**14,117**	**3,100**	**44,092**	**44,092**	**3,826**	**47,918**
Comprehensive income	**18,149**	**8,726**	**14,117**	**3,100**	**44,092**	**286,149**	**28,579**	**314,729**
Dividends (Note 16)	-	-	-	-	-	**(36,959)**	**(9,740)**	**(46,699)**
Acquisition of treasury shares (Note 16)	-	-	-	-	-	**(56)**	-	**(56)**
Reissuance of treasury shares (Note 16)	-	-	-	-	-	**1**	-	**1**
Change of scope of consolidation	-	-	-	-	-	-	**(3,267)**	**(3,267)**
Share-based payments (Note 31)	-	-	-	-	-	**239**	**135**	**374**
Changes in the ownership interest of a subsidiary without a loss of control	**(0)**	-	**268**	-	**268**	**2,397**	**2,537**	**4,935**
Transfer from reserves to retained earnings	**(58)**	**(8,726)**	-	-	**(8,784)**	-	-	-
Other	-		-	-	-	-	**2**	**2**
Total transactions with owners of the Company	**(58)**	**(8,726)**	**268**	-	**(8,517)**	**(34,378)**	**(10,332)**	**(44,711)**
Balance at December 31, 2017	**¥73,523**	**¥ -**	**¥(27,351)**	**¥(2,031)**	**¥44,141**	**¥957,895**	**¥271,311**	**¥1,229,206**

Consolidated Statement of Cash Flows

Kirin Holdings Company, Limited and Consolidated Subsidiaries
For the years ended December 31, 2017 and 2016

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Cash flows from operating activities		
Profit before tax	¥208,151	**¥233,776**
Profit before tax from discontinued operations	3,883	**19,778**
Depreciation and amortization	71,615	**69,233**
Impairment losses	4,228	**8,027**
Interest and dividends received	(6,579)	**(6,048)**
Share of profit of equity-accounted investees	(16,926)	**(26,519)**
Interest paid	10,388	**13,769**
Gain on sale of property, plant and equipment and intangible assets	(8,484)	**(34,538)**
Loss on disposal and sale of property, plant and equipment and intangible assets	4,692	**1,624**
Gain on sale of shares of subsidiaries	(15,468)	**(2,416)**
Gain on sale of discontinued operations	-	**(33,237)**
Gain on sale of equity-accounted investees	-	**(2,448)**
Gain on transfer of business	-	**(4,818)**
(Increase) decrease in trade receivables	8,170	**5,432**
(Increase) decrease in inventories	15,508	**(879)**
Increase (decrease) in trade payables	(6,269)	**(3,342)**
Increase (decrease) in liquor taxes payable	(5,193)	**(3,004)**
Other	626	**30,531**
Sub-total	268,342	**264,921**
Interest and dividends received	16,549	**24,923**
Interest paid	(9,375)	**(6,986)**
Income taxes paid	(43,252)	**(61,148)**
Cash flows from operating activities	232,263	**221,710**
Cash flows from investing activities		
Payments into time deposits	(413)	**(54,939)**
Proceeds from withdrawal of time deposits	4,442	**54,557**
Acquisition of property, plant and equipment and intangible assets	(99,397)	**(88,828)**
Proceeds from sale of property, plant and equipment and intangible assets	20,305	**47,945**
Acquisition of investments	(4,148)	**(12,238)**
Proceeds from sale of investments	16,183	**7,625**
Acquisition of business, net of cash acquired (Note 28)	-	**(22,585)**
Proceeds from transfer of business, net of cash disposed of	-	**6,136**
Proceeds from sale of shares of subsidiaries, net of cash disposed of (Note 28)	-	**25,691**
Proceeds from sale of discontinued operations, net of cash disposed of (Note 28)	-	**67,332**
Acquisition of equity-accounted investees	(17,112)	**(5,191)**
Proceeds from sale of equity-accounted investees	-	**2,739**
Collection of loans receivable (Note 28)	-	**37,600**
Other	(2,517)	**(2,630)**
Cash flows (used in) from investing activities	(82,656)	**63,214**
Cash flows from financing activities		
Increase (decrease) in short-term borrowings (Note 28)	(19,428)	**(15,707)**
Increase (decrease) in commercial paper (Note 28)	45,000	**(45,000)**
Proceeds from long-term borrowings	15,742	-
Repayment of long-term borrowings (Note 28)	(122,346)	**(86,580)**
Payment for redemption of bonds	(30,000)	-
Payment for acquisition of treasury shares	(60)	**(89)**
Proceeds from settlement of derivatives (Note 28)	-	**17,589**
Dividends paid (Note 16)	(34,676)	**(36,959)**
Dividends paid to non-controlling interests	(8,527)	**(8,892)**
Other	(2,975)	**(6,525)**
Cash flows used in financing activities	(157,271)	**(182,163)**
Effect of exchange rate changes on cash and cash equivalents	(5,577)	**(7,272)**
Net increase (decrease) in cash and cash equivalents	(13,241)	**95,489**
Cash and cash equivalents at beginning of year (Note 14)	79,740	**66,499**
Cash and cash equivalents at end of year (Note 14)	¥ 66,499	**¥161,987**

Note: Cash flows related to discontinued operations (Note 38. Discontinued operations) are included in the consolidated statement of cash flows.

Notes to Consolidated Financial Statements

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2017 and 2016

1. REPORTING ENTITY

Kirin Holdings Company, Limited ("the Company") is a corporation domiciled in Japan. Its registered address is disclosed on the Company's website (http://www.kirinholdings.co.jp/).

The Company and its subsidiaries ("the Group") are involved in the production and sale of alcoholic beverages, soft drinks, pharmaceutical products and biochemical products, and other related businesses.

2. BASIS OF PREPARATION

(1) COMPLIANCE WITH IFRS AND FIRST-TIME ADOPTION THEREOF

In accordance with Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the Group's consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") as the Group meets the requirements concerning the "Specified Company Complying with Designated International Accounting Standards" prescribed in Article 1-2 of the Ordinance.

The Group adopted IFRS from the year ended December 31, 2017, and the date of transition to IFRS was January 1, 2016. The Group applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). The effects of the transition to IFRS on the financial position, operating results and cash flows of the Group are provided in Note 41. First-time adoption below.

(2) AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements were authorized for issue by Yoshinori Isozaki, President & CEO of the Company, and Noriya Yokota, Director of the Board, Senior Executive Officer of the Company, on March 29, 2018.

(3) BASIS OF MEASUREMENT

The Group's consolidated financial statements have been prepared based on historical cost, except for specific financial instruments and other assets as set out in Note 3. Significant accounting policies.

(4) FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, and all amounts have been rounded to the nearest million, unless otherwise indicated.

(5) KEY ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Group's consolidated financial statements include management's estimates and assumptions concerning the measurement of income, expenses, assets and liabilities and the disclosure of contingencies at the reporting date. By their nature, actual results may differ from these estimates and assumptions.

Estimates and assumptions are reviewed by management on an ongoing basis. The effects of any revisions to these estimates and assumptions are recognized in the period of the revisions and subsequent periods.

Estimates and assumptions that have significant effects on the amounts recognized in the Group's consolidated financial statements are as follows:

- Significant assumptions used for discounted future cash flow projections in impairment tests for property, plant and equipment, goodwill and intangible assets (Note 9. Impairment of non-financial assets)
- Recoverability of deferred tax assets (Note 11. Income tax)
- Measurement of defined benefit obligations (Note 19. Employee benefits)
- Accounting for, and assessment of, provisions (Note 20. Provisions)
- Fair value measurement of financial instruments (Note 32. Financial Instruments)

3. SIGNIFICANT ACCOUNTING POLICIES

(1) BASIS OF CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries, and interests in associates and joint arrangements.

1) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which control commences until the date on which control ceases.

A subsidiary with a different reporting period is consolidated based on its additional financial statements at the consolidated reporting date.

Changes in the ownership interest of a subsidiary without a loss of control are accounted for as equity transactions. Any difference between the adjustment of non-controlling interests and the fair value of the consideration received is recognized directly in equity as equity attributable to owners of the Company. If control over a subsidiary is lost, the Company derecognizes the subsidiary's assets and liabilities and the non-controlling interests related to the subsidiary. Any interest retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gain or loss related to the loss of control is accounted for as profit or loss.

Intra-group balances of receivables and payables, intra-group transactions, and unrealized gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

2) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method from the date on which significant influence commence until the date on which it loses such influence, and are recognized at cost at the date of acquisition.

With regard to certain equity-accounted investees, such as SAN MIGUEL BREWERY INC., it is impracticable to access their financial statements in a timely manner and unify the ends of the reporting periods, due to regulatory constraints in the jurisdictions where such entities (including their parents) are located or listed, or in the light of relationships with other shareholders. As a result, the equity method is applied to such equity-accounted investees based on financial information for the period ended three months before the Group's reporting date with adjustments for the effects of significant transactions and events which occurred between the end of the reporting period of the equity-accounted investees and that of the Group.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

If significant influence over an associate is lost and the application of the equity method is discontinued, gain or loss on sale of the interest in the associate is recognized in profit or loss. Any remaining interest is remeasured at fair value, and any gain or loss on such remeasurement is also recognized in profit or loss.

3) Joint arrangements

Joint arrangements are contractual arrangements based on which two or more parties have joint control. Depending upon the rights and obligations of the parties to the arrangement, the Group classifies a joint arrangement into a joint operation where the Group has rights to the assets and obligations to the liabilities relating to the arrangement, and a joint venture where the Group has only rights to the net assets of the arrangement. The Group recognizes the assets, liabilities, income and expenses relating to its interest from the date on which joint control commences until the date on which joint control ceases in a joint operation while a joint venture is accounted for using the equity method from the date on which joint control commences until the date on which joint control ceases.

If joint control over a joint venture is lost, it is accounted for similarly to associates.

4) Business combinations

Business combinations are accounted for using the acquisition method.

Identifiable assets acquired and liabilities assumed of are measured at fair value at the date of acquisition (the date on which control commences).

Goodwill is measured as the excess of the aggregate of the consideration transferred in a business combination, the amount of non-controlling interest in the acquiree and the acquisition-date fair value of equity interest in the acquiree previously held by the acquirer, over the net amount of identifiable assets and liabilities at the date of acquisition. The consideration transferred in a business combination is measured as the sum of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The Group elects to measure non-controlling interests in the acquiree for each business combination at either fair value or at the proportionate share of the acquiree's identifiable net assets.

The additional acquisition of non-controlling interests after obtaining control is accounted for as an equity transaction, and no goodwill is recognized.

The Group applies book value accounting to acquisitions under common control, which are business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combinations, and that control is not transitory. A business combination involving entities or businesses under common control, in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory, is accounted for based on the carrying amounts of the assets and liabilities.

(2) FOREIGN CURRENCY TRANSLATION

1) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions or the rate that approximates the actual rate at the date of the transaction.

Monetary items denominated in foreign currencies are retranslated into the functional currency at the exchange rate at the reporting date, and non-monetary items denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate when the fair value was determined.

Exchange differences arising from the translation and settlement are recognized in profit or loss. However, exchange differences arising from financial assets measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

2) Foreign operations

The assets and liabilities in the statement of financial position of foreign operations are translated using the exchange rates at the dates of the statement of financial position. Income and expenses in the statements of profit or loss and comprehensive income of foreign operations are translated using the average exchange rates, except for cases of significant exchange rate movements.

Exchange differences arising from the translation are recognized in other comprehensive income. In cases where a foreign operation is disposed of, the cumulative amount of exchange differences related to the foreign operation is reclassified to profit or loss in the period of disposal.

(3) FINANCIAL INSTRUMENTS (EXCLUDING DERIVATIVES)

The Group has early adopted IFRS 9 “Financial Instruments” (issued in July 2014; “IFRS 9”).

1) Financial assets

(i) Initial recognition and measurement

Financial assets are classified into financial assets measured at fair value through profit or loss, at fair value through other comprehensive income, and at amortized cost. The Group determines the classification at initial recognition of the financial assets. A regular way purchase or sale of financial assets is recognized or derecognized at the transaction date.

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

Of financial assets measured at fair value, each equity instrument is designated as measured at fair value through profit or loss or as measured at fair value through other comprehensive income. Such designations are applied on an ongoing basis.

All financial assets, except for those classified into the category as measured at fair value through profit or loss, are measured at fair value plus transaction costs that are directly attributable to the financial assets.

Accounting for derivatives is described in “4) Derivatives and hedge accounting.”

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on classification as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Changes in their fair value are recognized in profit or loss or in other comprehensive income based on the classification of the financial assets. Dividends on equity instruments designated as measured at fair value through other comprehensive income are recognized in profit or loss. When the decline in the fair value of the financial assets is significant or when they are derecognized, the cumulative amount that has been recognized in equity through other comprehensive income is transferred to retained earnings.

(iii) Derecognition

Financial assets are derecognized when the rights to receive benefits from them expire or when they are transferred, and substantially all the risks and rewards of ownership are transferred.

2) Impairment of financial assets

Allowance for doubtful accounts is recognized for expected credit losses on financial assets measured at amortized cost.

Expected credit losses are measured as the present value of the difference between contractual cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Changes in credit quality after the initial recognition of financial assets are recorded in profit or loss as changes in estimates.

After initial recognition, at the reporting date, expected credit losses are measured based on the following classification into three stages of financial assets:

	Explanation	Measurement method of expected credit losses
Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition	12-month expected credit loss
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition	Lifetime expected credit loss
Stage 3	Financial instruments for which there is evidence of credit impairment	Lifetime expected credit loss

However, regardless of the above, for certain financial assets such as trade receivables without a significant financing component, allowance for doubtful accounts is measured at an amount equal to lifetime expected losses (the simplified approach).
Expected credit losses are measured using reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.
The Group, in principle, determines that the credit risk on a financial asset has increased significantly since initial recognition if it is more than 30 days past due on the contract, and that a financial asset is in default if it is more than 90 days past due. When a financial asset is in default or when there is evidence of impairment including significant financial difficulty of the issuer or borrower, the Group determines that the financial asset is credit-impaired.
If the Group reasonably considers that there are no prospects of the full or partial recovery of financial assets, the carrying amount of the financial assets is written off.

3) Financial liabilities
(i) Initial recognition and measurement
Financial liabilities are classified into financial liabilities measured at amortized cost and financial guarantee contracts. The Group determines the classification at initial recognition of the financial liabilities.
All financial liabilities are initially measured at fair value; provided, however, that financial liabilities measured at amortized cost are measured at fair value less transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent measurement
After initial recognition, financial liabilities are measured based on classification as follows:
(a) Financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method after initial recognition. Amortized cost using the effective interest method as well as any gain or loss on derecognition is recognized in the consolidated statement of profit or loss.
(b) Financial guarantee contracts
After initial recognition, financial guarantee contracts are measured at the higher of:
・the amount of allowance for doubtful accounts determined in accordance with 2) Impairment of financial assets above; and
・the amount initially measured less the cumulative amount of income recognized in accordance with the principles of IFRS 15 “Revenue from Contracts with Customers”.
(iii) Derecognition
Financial liabilities are derecognized when the obligations are discharged or cancelled, or expire.

4) Derivatives and hedge accounting
The Group utilizes derivatives, including forward foreign exchange contracts, currency swaps, interest rate swaps and commodity swaps, to hedge foreign exchange risk, interest rate risk and commodity price risk. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value.
Changes in the fair value of derivatives are recognized in the consolidated statement of profit or loss. However, the effective portion of cash flow hedges and hedges of net investment in foreign operations are recognized in the consolidated statement of comprehensive income.
At the inception of the hedge, the Group formally designates and documents the hedging relationship to which hedge accounting is applied and the objectives and strategies of risk management for undertaking the hedge. The documentation includes specific hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how the effectiveness of changes in the fair value of hedging instruments is assessed in offsetting the exposure to changes in the hedged item’s cash flows attributable to the hedged risks. Even though these hedges are expected to be effective in offsetting changes in cash flows, they are assessed on an ongoing basis to determine whether they have actually been effective throughout the financial reporting periods for which they were designated.
Hedges that meet the requirements for hedge accounting are classified in the following categories and accounted for in accordance with IFRS 9:
(i) Cash flow hedge
The effective portion of gains or losses on hedging instruments is recognized in the consolidated statement of comprehensive income, while the ineffective portion is recognized immediately in the consolidated statement of profit or loss.
The amounts of hedging instruments recorded in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.
When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gain or loss that has been recognized in equity through other comprehensive income is reclassified to profit or loss. When hedging instruments expire, are sold, terminated or exercised without the replacement or rollover of other hedging instruments, or when the hedge designation is revoked, the amounts that have been recognized in equity through other comprehensive income continue to be recorded in equity until the forecast transactions or firm commitments occur.
(ii) Hedge of net investment in foreign operations
Exchange differences resulting from net investments in foreign operations are accounted for similarly to cash flow hedges. The effective portion of gains or losses on hedging instruments is recognized in the consolidated statement of comprehensive income, while the ineffective portion is recognized in the consolidated statement of profit or loss. At the time of the disposal of the foreign operations, any related cumulative gain or loss that has been recognized in equity through other comprehensive income is reclassified to profit or loss.

5) Fair value of financial instruments
The fair value of financial instruments that are traded in active financial markets at the reporting date refers to quoted market prices.
If there is no active market, the fair value of financial instruments is determined using appropriate valuation techniques.

(4) PROPERTY, PLANT AND EQUIPMENT
Items of property, plant, and equipment are measured using the cost model after initial recognition and are stated at cost less accumulated depreciation and accumulated impairment losses.
The cost includes any costs directly attributable to the acquisition of the asset and the initial estimate of the costs of dismantling, removal and restoration.
The depreciation of assets other than land and construction in progress is recorded using the straight-line method over their estimated useful lives. The estimated useful lives of major assets by category are as follows:

Buildings and structures	2-65 years
Machinery, equipment and vehicles	2-30 years
Tools, fixtures and fittings	2-30 years

Depreciation methods, useful lives and residual values are reviewed at least at each year-end, and if any changes are required, such changes are applied prospectively as changes in accounting estimates.

(5) GOODWILL
Goodwill arising from a business combination is stated at cost less accumulated impairment losses.
Goodwill is not amortized. It is allocated to cash-generating units or groups of cash-generating units and is tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in profit or loss and no subsequent reversal is made.
The measurement of goodwill at initial recognition is provided in (1) Basis of consolidation 4) Business combinations.

(6) INTANGIBLE ASSETS
Intangible assets are measured using the cost model after initial recognition and are stated at cost less any accumulated amortization and accumulated impairment losses. The cost includes costs directly attributable to the acquisition of the asset, employee benefit expenses incurred and costs related to services consumed in internally generating the intangible asset.
1) Intangible assets acquired separately
Intangible assets acquired separately are measured at cost at initial recognition.
2) Intangible assets acquired through business combinations
Intangible assets acquired through business combinations are measured at fair value at the date of acquisition.
3) Internally generated intangible assets (development costs)
Research and development expenses generated in the Group are expensed when incurred, except for expenditures on development activities for which the Group can demonstrate all of the following requirements for capitalization:

・The technical feasibility of completing the intangible asset so that it will be available for use or sale.
・Its intention to complete the intangible asset and use or sell it.
・Its ability to use or sell the intangible asset.
・How the intangible asset will generate probable future economic benefits.
・The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
・Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Major intangible assets of the Group are as follows:
(i) Brands
Brands are initially recognized at cost. In principle, as intangible assets with indefinite useful lives, they are not amortized because it is not possible to foresee the period over which their net cash inflows are expected to continue, and are tested for impairment annually or whenever there is any indication of impairment.
(ii) Marketing rights
Marketing rights are initially recognized at cost. They are amortized using the straight-line method over their estimated useful lives (5-20 years), and are tested for impairment whenever there is any indication of impairment.
(iii) Other
Other intangible assets are initially recognized at cost. Those with finite useful lives are amortized using the straight-line method over their estimated useful lives, and are tested for impairment whenever there is any indication of impairment. Those with indefinite useful lives are not amortized and are tested for impairment annually or whenever there is any indication of impairment.

Amortization methods, useful lives and residual values are reviewed at least at each year-end, and if any changes are required, such changes are applied prospectively as changes in accounting estimates.

(7) LEASES
Leases as a lessee are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the Group. Leases other than finance leases are classified as operating leases.
Finance leases as a lessee are initially recognized at the lease commencement date as assets and liabilities in the consolidated statement of financial position at the lower of the fair value of the leased property and the present value of the minimum lease payments, both of which are determined at the inception of the lease. After initial recognition, the leased assets are depreciated over their estimated useful lives when it is reasonably certain that the ownership is transferred by the end of the lease term and over the shorter of the lease term and their estimated useful lives when it is not reasonably certain. The lease payments are apportioned between the finance costs and the repayment of lease obligations based on an interest method.

Lease payments under operating leases are expensed on the straight-line method over the lease terms unless another systematic basis is more representative of the time pattern of the benefits.

(8) INCOME TAXES

Income taxes are the sum of current taxes and deferred taxes.

Current taxes are measured at the amount that is expected to be paid to or refunded from the taxation authorities. In determining the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current taxes are recognized in profit or loss, except for taxes arising from items that are recognized directly in other comprehensive income or in equity and taxes arising from business combinations.

Deferred taxes are determined based on the temporary differences between the tax base for assets and liabilities and their carrying amount for accounting purposes at the reporting date. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. However, deferred tax assets or liabilities are not recorded for:

- temporary differences arising from the initial recognition of goodwill;
- temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of transaction, affects neither accounting profit nor taxable profit (tax loss);
- deductible temporary differences related to investments in subsidiaries and associates, and interests in joint arrangements to the extent that it is probable that the temporary differences will not reverse in the foreseeable future or it is not probable that future taxable profits will be available against which the temporary differences can be utilized; and
- taxable temporary differences related to investments in subsidiaries and associates, and interests in joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The deferred taxes are recognized in profit or loss, except for taxes arising from items that are recognized directly in other comprehensive income or in equity and taxes arising from business combinations.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(9) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group tests goodwill (see (5) Goodwill) and intangible assets with indefinite useful lives (see (6) Intangible assets) for impairment at least annually, as well as whenever there is any indication of impairment.

At the reporting date, the Group determines whether there is any indication of impairment for non-financial assets other than inventories (see (10) Inventories), deferred tax assets (see (8) Income taxes), defined benefit asset (see (14) Employee benefits). Since goodwill that forms part of the carrying amount of equity-accounted investees is not separately recognized, it is not tested for impairment separately. Instead, the entire carrying amount of equity-accounted investees is assessed for any indication of impairment and is tested for impairment as a single asset.

If there is any indication that an asset may be impaired, or in cases where an impairment test is required to be performed annually, the recoverable amount of the asset is determined. In cases where the recoverable amount cannot be estimated for an individual asset, it is estimated for the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is measured at the higher of its fair value less costs of disposal and its value in use. Value in use is determined by discounting estimated future cash flows to their present value using a discount rate that reflects the time value of money and the risks specific to the asset.

Only if the recoverable amount of an asset or cash-generating unit falls below its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

The Group assesses at the reporting date whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may have decreased or may no longer exist. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases where the recoverable amount exceeds the carrying amount, the impairment loss is reversed up to the lower of the recoverable amount determined and the carrying amount (net of accumulated depreciation or accumulated amortization) that would have been determined if no impairment loss had been recognized in prior years. The reversal of the impairment loss is immediately recognized in profit or loss.

(10) INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is determined primarily based on the periodic average method and includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(11) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, readily available deposits and short-term highly liquid investments with negligible risk of changes in value and maturities not exceeding three months at the time of purchase.

(12) ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

1) Assets held for sale

Assets or asset groups whose value is expected to be recovered through sale rather than through continuing use are classified as non-current assets or disposal groups held for sale if it is highly probable that the assets or asset groups will be sold within one year, the assets or asset groups are available for immediate sale in their present condition, and the Group's management has made a commitment to sell the assets or asset groups. In such cases, the non-current assets stop to be depreciated or amortized or equity-accounted investees stop to be applied for the equity method and are measured at the lower of their carrying amount and fair value less costs to sell.

2) Discontinued operations
The Group recognizes as a discontinued operation a component of the Group's business which has already been disposed of or classified as held for sale and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

The post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the disposal of the disposal groups constituting the discontinued operations are presented as profit from discontinued operations, separately from continuing operations, in the consolidated statement of profit or loss, and the disclosures for prior periods are re-presented on a consistent basis.

(13) EQUITY
1) Ordinary shares
For ordinary shares, their issue prices are recorded in share capital and share premium. Costs (net of tax) associated with the issue of ordinary shares are deducted from share capital and share premium.

2) Treasury shares
When treasury shares are acquired, the amount of the consideration paid, which includes associated costs (net of tax), is recognized as a deduction from equity.
When treasury shares are sold, any difference between the carrying amount and the consideration received at the time of sale is recognized as share premium.

3) Dividends
Dividend distributions to the shareholders of the Company are recognized as liabilities for the period in which, for year-end dividends, the Annual General Meeting of Shareholders approves the distribution and, for interim dividends, the Board of Directors approves the distribution.

(14) EMPLOYEE BENEFITS
1) Post-employment benefits
The Group has defined benefit-type and defined contribution-type pension plans and provides lump-sum severance payment plans, defined benefit corporate pension plans and employees' pension fund plans as defined benefit-type plans.
For each defined benefit plan, the Group determines the present value of its defined benefit obligations and the related current service cost and past service cost using the projected unit credit method. The discount rate applied is determined by reference to market yields on high-quality corporate bonds at the year-end. The net defined benefit liability (asset) is determined by deducting the fair value of any plan assets from the present value of the defined benefit obligations. Remeasurements of the net defined benefit asset or liability are recognized collectively in other comprehensive income and reclassified to retained earnings for the period during which they have occurred.
Retirement benefit costs for defined contribution-type plans are expensed for the period during which employees render services.

2) Termination benefits
The Group provides termination benefits when the Group terminates an employee's employment before the normal retirement date or an employee voluntarily retires in exchange for the benefits. Termination benefits are expensed when the Group commits to terminating the employment; provided that the Group has detailed official plans related to the termination of the employee's employment and can no longer withdraw the offer of the benefits.

3) Short-term employee benefits
Short-term employee benefits are expensed on an undiscounted basis when the related service is provided. Bonuses are recorded as liabilities for the amount estimated to be paid in accordance with the applicable plans when the Group has present legal or constructive obligations to pay as a result of past labor rendered by employees, and the obligations can be reliably estimated.

(15) PROVISIONS
Provisions are recognized when present legal or constructive obligations exist as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligations. Matters related to income taxes are set out in (8) Income taxes.
Explanation of the major provisions is as follows:

- Allowance for loss on plants reorganization

In connection with plants reorganization aimed at the efficiency of manufacturing sites in Japan and overseas, as plans including the removal of property, plant and equipment at some of the sites are determined and announced, a reasonably estimated amount of the removal costs is recorded as a provision.
The timing of the payment is subject to circumstances such as future business plans.

(16) SHARE-BASED PAYMENTS

1) Restricted Stock Compensation System

The Group has implemented a Restricted Stock Compensation System as an equity-settled share-based performance-related payment plan for officers. The consideration for services received is measured at the fair value of the Company's shares at the grant date and is recognized as an expense over the vesting period (from the grant date to the vesting date) in the consolidated statement of profit or loss. The corresponding amount is recognized as an increase in equity in the consolidated statement of financial position.

2) Share options

Kyowa Hakko Kirin Company, Limited, a subsidiary of the Company, has implemented share option plans as equity-settled share-based payment plans for directors and managing officers. The fair value of the share options is estimated at the grant date and recognized as an expense over the vesting period in the consolidated statement of profit or loss after considering the number of share options that are expected to be eventually vested. The corresponding amount is recognized as an increase in equity in the consolidated statement of financial position. The fair value of options granted is determined primarily using the Black-Scholes model, taking into account the terms and conditions of the options.

(17) REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has early adopted IFRS 15 "Revenue from Contracts with Customers," which was published in May 2014, and "Clarifications to IFRS 15," which was published in April 2016 (together referred to as "IFRS 15").

In accordance with IFRS 15, revenue is recognized based on the following five-step approach:

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

1) Integrated Beverages Business

The Group conducts sales of beer, wine, whiskey, spirits, soft drinks and others in the Integrated Beverages Business.

Revenue from such sales is recognized when merchandise and finished goods are delivered to customers since control over the merchandise and finished goods is transferred to the customers and performance obligations are satisfied at that point in time.

Revenue generating from sale of merchandise and finished goods is measured by deducting rebates and discounts based on sales volumes and amounts from consideration under sales contracts, and consideration which is expected to be refunded to customers is stated as refund liabilities. The refund liabilities are estimated by using the most likely amount method based on terms and conditions, past transactions and other factors.

If the Group executes sales transactions as an agent of the tax authority, consumption taxes, value added taxes, liquor taxes and others are excluded from consideration, taking into account laws and regulations of each country and the actual conditions of the transactions.

Consideration under sales contracts of merchandise and finished goods is recovered mainly within one year from the delivery of the merchandise and finished goods to customers and includes no significant financing components.

2) Pharmaceuticals and Bio-chemicals Business

The Group conducts sale of merchandise and finished goods and technology licensing to customers in relation to pharmaceuticals and bio-chemicals in the Pharmaceuticals and Bio-chemicals Business.

(i) Revenue from sale of merchandise and finished goods

Revenue under sales contracts for merchandise and finished goods with customers is recognized when the merchandise and finished goods are delivered to the customers since control over the merchandise and finished goods is transferred to the customers and performance obligations are satisfied at that point in time.

Revenue generating from sale of merchandise and finished goods is measured by deducting rebates and discounts based on sales volumes and amounts from consideration under sales contracts, and consideration which is expected to be refunded to customers is stated as refund liabilities. The refund liabilities are estimated by using the most likely amount method based on terms and conditions, past transactions and other factors.

If the Group is involved in sale of products as an agent in the Pharmaceuticals and Bio-chemicals Business, revenue is recognized on a net basis.

Consideration under sales contracts for merchandise and finished goods is received mainly within one year from the delivery of the merchandise and finished goods to customers and includes no significant financing components.

(ii) Licensing revenue

The Group obtains up-front income, milestone revenue and running royalty revenue as licensing revenue based on license agreements, such as granting third parties the right to develop, produce and sell developed products.

Up-front income is recognized as revenue at the time of granting the license when the performance obligation is satisfied at a point in time. Milestone revenue is recognized as revenue when the milestones agreed between the relevant parties are achieved, taking into account the probability of a significant subsequent reversal of revenue.

Consideration received as up-front income and milestone revenue for which the performance obligation is not satisfied at a point in time is recorded as contract liabilities, and is recognized as revenue over a period of time according to the satisfaction of related performance obligations, such as for development cooperation.

Running royalty revenue is measured and recognized based on sales of the contract counterparty.

Consideration under license agreements is received mainly within one year from the time of granting the license based on the agreed contractual payment schedule, such as when achieving milestones, and includes no significant financing components.

(18) FINANCE INCOME AND FINANCE COSTS

Finance income mainly comprises interest received, dividends received, foreign currency gain and changes in the fair value of financial assets measured at fair value through profit or loss. Interest received is recognized when it occurs using the effective interest method. Dividends received are recognized when the Group's right to receive payment is established.

Finance costs mainly comprise interest paid, foreign currency loss and changes in the fair value of financial assets measured at fair value through profit or loss. Interest paid is recognized when it occurs using the effective interest method.

Foreign currency gain or loss is recorded on a net basis in finance income or finance costs.

(19) GOVERNMENT GRANTS

Government grants are recognized at fair value if there is reasonable assurance that the Group will comply with the conditions associated with the grants and they will be received.

When government grants are related to expense items, they are recognized as profit on a systematic basis over the periods in which the Group recognizes as an expense the related costs for which the grants are intended to compensate. Government grants related to assets are deducted from the cost of the assets.

(20) BORROWING COSTS

For assets that necessarily take a substantial period of time to get ready for their intended use or sale, borrowing costs that are directly attributable to the acquisition, construction or production of the assets are capitalized as part of the cost of those assets (see (4) Property, plant and equipment and (6) Intangible assets). Other borrowing costs are recognized as an expense in the period in which they are incurred.

(21) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit attributable to ordinary shareholders of the parent by the weighted-average number of ordinary shares (after adjusting for treasury shares) outstanding during the period. Diluted earnings per share are calculated by adjusting the effects of all dilutive potential ordinary shares.

4. ACCOUNTING STANDARDS AND GUIDELINES NOT YET ADOPTED

New accounting standards and guidelines that have been issued or amended by the date of approval of the consolidated financial statements and that have not been early adopted by the Group are mainly as set out in the table below.

The implications from adoption of these standards and guidelines are currently being assessed and thus their impact on the Group's consolidated financial statements cannot yet be estimated.

IFRS	Title of standard	Mandatory adoption (From the year beginning)	To be adopted by the Group from the year ending:	Outline of new standards and amendments
IFRS 2	Share-based Payment	January 1, 2018	December 31, 2018	Clarification of classification and measurement of share-based payment transactions
IAS 40	Investment Property	January 1, 2018	December 31, 2018	Clarification of the treatment of transfers of property to or from investment property
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	December 31, 2018	Clarification of exchange rates to use on the initial recognition of expenses or income arising from non-monetary assets or non-monetary liabilities arising from the payment or receipt of advance consideration in a foreign currency
IFRS 16	Leases	January 1, 2019	December 31, 2019	Amendments to accounting treatment for lease contracts
IAS 12	Income Taxes	January 1, 2019	December 31, 2019	Clarification of recognition method on income tax consequences arising from dividends as distributions of profits
IAS 19	Employee Benefits	January 1, 2019	December 31, 2019	Clarification of measurement method of service cost and interest cost in the event of a plan amendment, curtailment or settlement
IAS 23	Borrowing Costs	January 1, 2019	December 31, 2019	Clarification of calculation of capitalization rate for borrowing costs
IFRS 3 IFRS 11	Business Combinations Joint Arrangements	January 1, 2019	December 31, 2019	Clarification of remeasurement of existing interests in the case of acquiring control over joint operations and in the case of acquiring joint control
IFRS 10 IAS 28	Consolidated Financial Statements Investments in Associates and Joint Ventures	Not yet determined	Not yet determined	Clarification of accounting treatment for sale or contribution of assets between an investor and its associate or joint venture

5. OPERATING SEGMENTS

(1) SUMMARY OF REPORTABLE SEGMENTS

The reportable segments of the Group are determined based on the operating segments which are constituent units of the Group whose separate financial information is readily available, and which are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating the business results. The Group has identified four reportable segments, namely, “Japan Integrated Beverages Business,” “Oceania Integrated Beverages Business,” “Other Overseas Integrated Beverages Businesses” and “Pharmaceuticals and Bio-chemicals Businesses.”

“Japan Integrated Beverages Business,” for which KIRIN Company, Limited oversees the operations, conducts production and sale of alcoholic beverages, such as beer, *happo-shu*, new genre, wine, whiskey, spirits, and soft drinks in Japan, and includes businesses such as engineering and logistics.

“Oceania Integrated Beverages Business,” for which Lion Pty Limited oversees the operations, conducts production and sale of beer, whiskey, spirits, dairy products, fruit juice and other products in the Oceania region.

“Other Overseas Integrated Beverages Businesses” comprises production and sale of beer in Myanmar, production and sale of soft drinks in North America region and other operating segments. These operating segments have been grouped after considering the similarities in products, services, markets, customers, economic characteristics (such as return on assets) and other factors.

“Pharmaceuticals and Bio-chemicals Businesses,” for which Kyowa Hakko Kirin Company, Limited oversees the operations, conducts production and sale of pharmaceutical products, biochemical products and other products.

The accounting method for the operating segments that are reported is generally the same as described in Note 3. “Significant accounting policies.” Inter-segment revenue or transfers are based on actual market prices.

For the year ended December 31, 2017 (in May 2017), the Group transferred Brasil Kirin Holding S.A. (“Brasil Kirin”) in the Other Overseas Integrated Beverages Businesses to Bavaria S.A. (a subsidiary of Heineken International B.V.). Accordingly, profit or loss relating to Brasil Kirin is not included in information on reportable segments as profit or loss and cash flows relating to Brasil Kirin are classified as a discontinued operation. The details of discontinued operations are described in Note 38. Discontinued operations.

(2) INFORMATION ON REPORTABLE SEGMENTS

Information related to each reportable segment is set out below.

	At January 1, 2016 (Date of transition to IFRS)						
	Reportable segment				Others	Adjustment (Note)	Consolidated
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
							(¥ millions)
Segment assets	¥740,673	¥515,081	¥549,495	¥710,053	¥36,912	¥(61,906)	¥2,490,306
Other items							
Equity-accounted investees	3,739	4,428	182,994	60,268	-	-	251,429

Note: Adjustment in segment assets includes inter-segment asset and liability eliminations and corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (equity instruments) and assets of the administrative department of the Company, a holding company.

At and for the year ended December 31, 2016							
	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
							(¥ millions)
Revenue from unaffiliated customers	¥1,061,614	¥357,511	¥70,980	¥341,423	¥22,410	¥ -	¥1,853,937
Inter-segment revenue	10,285	107	191	7,286	900	(18,769)	-
Total revenue	1,071,898	357,618	71,171	348,709	23,310	(18,769)	1,853,937
Segment income (Note 3)	67,826	52,759	13,629	51,467	3,188	(6,885)	181,982
						Other operating income	40,394
						Other operating expenses	25,786
						Finance income	3,963
						Finance costs	9,329
						Share of profit of equity-accounted investees	16,926
						Profit before tax	208,151

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
							(¥ millions)
Segment assets	¥782,773	¥481,100	¥570,778	¥706,085	¥35,581	¥(153,492)	¥2,422,825
Other items							
Depreciation and amortization	23,583	11,683	4,139	23,784	1,057	3	64,250
Impairment losses (excluding financial assets)	767	2,870	167	286	138	-	4,228
Equity-accounted investees	14,514	5,006	172,698	61,945	-	-	254,162
Capital expenditures	29,748	21,225	5,605	30,097	4,160	(920)	89,914

Notes:

1. Others include food businesses, such as dairy products and others.
2. Adjustments are as follows:
   (1) Adjustment in segment income mainly includes inter-segment eliminations and corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses incurred in the Company, a holding company.
   (2) Adjustment in segment assets includes inter-segment asset and liability eliminations and corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (equity instruments) and assets of the administrative department of the Company, a holding company.
3. Segment income represents normalized operating profit which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue.

At and for the year ended December 31, 2017							
	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
							(¥ millions)
Revenue from unaffiliated customers	**¥1,050,975**	**¥348,637**	**¥99,948**	**¥346,708**	**¥17,462**	**¥ -**	**¥1,863,730**
Inter-segment revenue	**5,606**	**33**	**14**	**7,456**	**772**	**(13,880)**	**-**
Total revenue	**1,056,580**	**348,670**	**99,962**	**354,164**	**18,234**	**(13,880)**	**1,863,730**
Segment income (Note 3)	**72,530**	**52,605**	**13,437**	**62,209**	**868**	**(7,330)**	**194,318**
						Other operating income	**46,853**
						Other operating expenses	**30,106**
						Finance income	**4,829**
						Finance costs	**11,084**
						Share of profit of equity-accounted investees	**26,519**
						Gain on sale of equity-accounted investees	**2,448**
						Profit before tax	**233,776**

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
							(¥ millions)
Segment assets	**¥795,648**	**¥520,412**	**¥402,964**	**¥734,460**	**¥27,180**	**¥(81,581)**	**¥2,399,082**
Other items							
Depreciation and amortization	**25,234**	**13,207**	**5,045**	**22,032**	**576**	**(43)**	**66,051**
Impairment losses (excluding financial assets)	**94**	**653**	**-**	**7,279**	**0**	**-**	**8,027**
Equity-accounted investees	**14,568**	**5,550**	**188,805**	**1,857**	**-**	**-**	**210,780**
Capital expenditures	**31,401**	**25,051**	**6,682**	**22,333**	**1,511**	**(1,073)**	**85,906**

Notes:

1. Others includes food businesses, such as dairy products and others.
2. Adjustments are as follows:
   (1) Adjustment in segment income mainly includes inter-segment eliminations and corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses incurred in the Company, a holding company.
   (2) Adjustment in segment assets includes inter-segment asset and liability eliminations and corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (equity instruments) and assets of the administrative department of the Company, a holding company.
3. Segment income represents normalized operating profit which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue.

(3) GEOGRAPHIC INFORMATION

1) Revenue

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Japan	1,306,054	**1,276,289**
Oceania	351,113	**341,920**
Others	196,770	**245,521**
Total	1,853,937	**1,863,730**

Note: Revenue is classified by country or area based on customer location.

2) Non-current assets

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Japan	417,999	419,480	**399,001**
Oceania	351,227	342,413	**369,774**
Southeast Asia	102,604	98,601	**101,808**
Others	253,842	251,121	**136,852**
Total	1,125,672	1,111,615	**1,007,435**

Note: Non-current assets exclude financial instruments, deferred tax assets and defined benefit assets.

(4) MAJOR CUSTOMER

The unaffiliated customer which accounted for 10% or more of revenue on the consolidated statement of profit or loss was as follows:

(¥ millions)

Name of customer	Related segment	Year ended December 31, 2016	**Year ended December 31, 2017**
Mitsubishi Shokuhin Company, Limited	Japan Integrated Beverages, other	¥200,505	**¥205,972**

6. PROPERTY, PLANT AND EQUIPMENT

(1) RECONCILIATION OF CARRYING AMOUNT

Changes in carrying amounts, costs, accumulated depreciation and accumulated impairment losses of property, plant and equipment were as follows:

1) Carrying amount

(¥ millions)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance at January 1, 2016	¥ 201,165	¥222,749	¥54,270	¥105,234	¥49,742	¥633,161
Acquisitions	1,099	3,706	12,952	759	61,568	80,084
Transfer from construction in progress	16,558	32,414	7,016	688	(56,677)	-
Depreciation	(11,644)	(29,962)	(11,301)	-	-	(52,907)
Impairment losses	(558)	(3,338)	(7)	(171)	(153)	(4,227)
Disposals	(1,894)	(644)	(3,394)	(6,654)	(66)	(12,652)
Sale of subsidiaries	(4,378)	(6,050)	(258)	(1,090)	-	(11,776)
Foreign currency translation differences	2,816	1,446	2,706	(45)	(78)	6,845
Other	(149)	997	58	(1,755)	518	(332)
Balance at December 31, 2016	**203,016**	**221,318**	**62,042**	**96,965**	**54,854**	**638,195**
Acquisitions	**650**	**2,218**	**8,252**	**38**	**63,086**	**74,243**
Acquisitions through business combinations	**4,256**	**10,625**	**4,878**	**2,774**	**135**	**22,669**
Transfer from construction in progress	**11,369**	**34,567**	**7,576**	**89**	**(53,602)**	**-**
Depreciation	**(10,557)**	**(30,246)**	**(11,216)**	**-**	**-**	**(52,019)**
Impairment losses	**(1,771)**	**(2,983)**	**(378)**	**(150)**	**(39)**	**(5,321)**
Disposals	**(8,659)**	**(385)**	**(1,055)**	**(3,144)**	**(37)**	**(13,279)**
Sale of subsidiaries	**(35,317)**	**(39,314)**	**(21,289)**	**(8,169)**	**(6,214)**	**(110,303)**
Transfer to assets held for sale	**(1,055)**	**(534)**	**(1,153)**	**-**	**(48)**	**(2,791)**
Foreign currency translation differences	**821**	**2,144**	**(144)**	**647**	**1,206**	**4,674**
Other	**(670)**	**60**	**125**	**358**	**283**	**156**
Balance at December 31, 2017	**¥162,084**	**¥197,469**	**¥47,636**	**¥89,410**	**¥59,623**	**¥556,223**

Depreciation of property, plant and equipment is included in cost of sales, selling, general and administrative expenses and profit from discontinued operations in the consolidated statement of profit or loss, and gain or loss on disposals is included in other operating income, other operating expenses and profit from discontinued operations in the consolidated statement of profit or loss.

Impairment losses are explained in Note 9. Impairment of non-financial assets, and property, plant and equipment which are mortgaged as collateral for liabilities are as set out in Note 17. Bonds and borrowings (including other financial liabilities).

2) Cost

(¥ millions)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance at January 1, 2016	¥ 548,679	¥988,138	¥196,233	¥106,905	¥50,434	¥1,890,389
Balance at December 31, 2016	553,314	976,770	201,959	98,264	55,494	1,885,801
Balance at December 31, 2017	**496,839**	**926,496**	**174,738**	**90,763**	**60,285**	**1,749,120**

3) Accumulated depreciation and accumulated impairment losses

(¥ millions)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance at January 1, 2016	¥ 347,514	¥765,389	¥141,962	¥1,671	¥692	¥1,257,228
Balance at December 31, 2016	350,298	755,452	139,917	1,299	640	1,247,606
Balance at December 31, 2017	**334,754**	**729,027**	**127,101**	**1,353**	**662**	**1,192,897**

(2) LEASES

The carrying amounts of property, plant and equipment included leased assets with the following carrying amounts:

(¥ millions)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance at January 1, 2016	¥ 15	¥6,483	¥2,398	¥ -	¥ -	¥8,896
Balance at December 31, 2016	11	5,253	2,596	-	-	7,860
Balance at December 31, 2017	**9**	**5,636**	**1,547**	-	-	**7,191**

7. GOODWILL

(1) RECONCILIATION OF CARRYING AMOUNT

Changes in carrying amount, costs and accumulated impairment losses of goodwill were as follows:

1) Carrying amount

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Balance at January 1	¥ 271,980	**¥ 257,033**
Acquisitions through business combinations	1,416	**1,722**
Disposals	-	**(758)**
Sale of subsidiaries	(711)	-
Transfer to assets held for sale	-	**(2,213)**
Foreign currency translation differences	(15,652)	**6,117**
Balance at December 31	¥ 257,033	**¥ 261,900**

2) Cost and accumulated impairment losses

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Cost	¥ 271,980	¥ 257,033	**¥ 261,900**
Accumulated impairment losses	-	-	-

8. INTANGIBLE ASSETS

(1) RECONCILIATION OF CARRYING AMOUNT

Changes in carrying amount, costs, accumulated amortization and accumulated impairment losses of intangible assets were as follows:

1) Carrying amount

(¥ millions)

	Brands	Marketing rights	Other	Total
Balance at January 1, 2016	¥78,803	¥55,286	¥72,618	¥ 206,708
Acquisitions	-	11,157	13,700	24,857
Acquisitions through business combinations	434	-	-	434
Amortization	(91)	(8,788)	(9,829)	(18,708)
Impairment losses	-	-	(1)	(1)
Disposals	(2)	(41)	(128)	(170)
Sale of subsidiaries	-	-	(1)	(1)
Foreign currency translation differences	(1,885)	(6,972)	(909)	(9,765)
Other	572	-	-	572
Balance at December 31, 2016	77,832	50,642	75,451	203,924
Acquisitions	**-**	**5,451**	**14,737**	**20,187**
Acquisitions through business combinations	**-**	**2,672**	**-**	**2,672**
Amortization	**(78)**	**(7,854)**	**(9,281)**	**(17,214)**
Impairment losses	**-**	**-**	**(2,706)**	**(2,706)**
Disposals	**(0)**	**(1,257)**	**(34)**	**(1,291)**
Sale of subsidiaries	**(12,730)**	**(490)**	**(10,267)**	**(23,487)**
Transfer to other account	**-**	**3,974**	**(3,974)**	**-**
Transfer to assets held for sale	**-**	**(17)**	**(7)**	**(24)**
Foreign currency translation differences	**630**	**1,127**	**(766)**	**991**
Other	**1,042**	**-**	**-**	**1,042**
Balance at December 31, 2017	**¥66,696**	**¥54,247**	**¥63,152**	**¥184,096**

Amortization of intangible assets is included in cost of sales, selling, general and administrative expenses and profit from discontinued operations in the consolidated statement of profit or loss, and gain or loss on disposals is included in other operating income, other operating expenses and profit from discontinued operations in the consolidated statement of profit or loss.

Impairment losses are explained in Note 9. Impairment of non-financial assets.

2) Cost

(¥ millions)

	Brands	Marketing rights	Other	Total
Balance at January 1, 2016	¥173,381	¥115,906	¥167,673	¥ 456,960
Balance at December 31, 2016	174,345	112,948	177,237	464,531
Balance at December 31, 2017	**127,176**	**114,580**	**149,459**	**391,214**

3) Accumulated amortization and impairment losses

(¥ millions)

	Brands	Marketing rights	Other	Total
Balance at January 1, 2016	¥94,578	¥60,620	¥95,055	¥250,252
Balance at December 31, 2016	96,514	62,307	101,786	260,606
Balance at December 31, 2017	**60,480**	**60,332**	**86,306**	**207,118**

(2) RESEARCH AND DEVELOPMENT EXPENSES AND SOFTWARE DEVELOPMENT EXPENSES

Research and development expenses of ¥61,918 million for the year ended December 31, 2016 and ¥59,043 million for the year ended December 31, 2017 were recorded in selling, general and administrative expenses in the consolidated statements of profit or loss. Software development expenses of ¥1,891 million for the year ended December 31, 2016 and ¥5,332 million for the year ended December 31, 2017 were recorded in other operating expenses in the consolidated statement of profit or loss.

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

(1) CASH-GENERATING UNITS

The Group considers each Group company's business, or the unit for making investment decisions, as a cash-generating unit. Goodwill is allocated to cash-generating units or groups of cash-generating units based on the monitoring units for internal management purposes. For idle properties, each property is considered to constitute a cash-generating unit. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash inflows independent from other assets or group of assets but contribute to cash flow generation of other cash-generating units.

(2) IMPAIRMENT LOSSES

Year ended December 31, 2016

Impairment losses by segment consisted of the following:

(¥ millions)

Segments	Impairment losses	Types of major assets
Japan Integrated Beverages Business	¥767	Buildings and structures, Machinery, equipment and vehicles
Oceania Integrated Beverages Business	2,870	Machinery, equipment and vehicles
Other Overseas Integrated Beverages Business	167	Machinery, equipment and vehicles
Pharmaceuticals and Bio-chemicals Business	286	Land
Other Businesses	138	Machinery, equipment and vehicles
Total	4,228	

Carrying amounts of certain assets used for business were reduced to their recoverable amounts and the decreases were recognized as impairment losses in other operating expenses in the consolidated statement of profit or loss. Major reasons for these impairment losses were as follows:

(i) The Japan Integrated Beverages Business resolved to dissolve and liquidate a subsidiary engaged in the chilled beverages production business; and

(ii) The Oceania Integrated Beverages Business decided to sell a subsidiary engaged in the wine business in Australia and accordingly reassessed the value of the relevant assets used for business.

The recoverable amount of each group of assets is measured at fair value less costs of disposal or value in use. Fair value less costs of disposal is determined at disposal value or appraised value.

Fair value less costs of disposal is categorized as Level 3 in the fair value hierarchy.

Year ended December 31, 2017

Impairment losses by segment consisted of the following:

(¥ millions)

Segments	Impairment losses	Types of major assets
Japan Integrated Beverages Business	**¥94**	Buildings and structures
Oceania Integrated Beverages Business	**653**	Other intangible assets
Other Overseas Integrated Beverages Business	-	
Pharmaceuticals and Bio-chemicals Business	**7,279**	Machinery, equipment and vehicles, Other intangible assets
Other Businesses	**0**	Machinery, equipment and vehicles
Total	**8,027**	

Carrying amounts of certain assets used for business were reduced to their recoverable amounts and the decreases were recognized as impairment losses in other operating expenses in the consolidated statement of profit or loss. Major reasons for these impairment losses were as follows:

(i) The Oceania Integrated Beverages Business decided partial abolition of business; and

(ii) In the Pharmaceuticals and Bio-chemicals Business, the profitability of the part of manufacturing items declined and decided to halt the research and development on work in process.

The recoverable amount of each group of assets is measured at fair value less costs of disposal or value in use. Fair value less costs of disposal is determined at disposal value or appraised value.

Fair value less costs of disposal is categorized as Level 3 in the fair value hierarchy.

(3) IMPAIRMENT TEST FOR CASH-GENERATING UNITS (GROUPS OF UNITS) CONTAINING GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Major goodwill and intangible assets with indefinite useful lives that were allocated to the Group's cash-generating units or groups of cash-generating units for impairment testing were as follows (after recognition of impairment losses):

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)		At December 31, 2016		**At December 31, 2017**	
	Goodwill	Brands	Goodwill	Brands	**Goodwill**	**Brands**
Oceania Integrated Beverages Business	¥123,794	¥35,027	¥119,541	¥34,115	**¥124,305**	**¥35,451**
Other Overseas Integrated Beverages Business (Myanmar)	29,984	29,044	27,771	26,901	**27,000**	**26,154**
Pharmaceuticals and Bio-chemicals Business	116,212	-	107,757	-	**106,917**	-

The Group records as assets the brands that are held by Group companies including Lion Pty Limited in the Oceania Integrated Beverages Business and Myanmar Brewery Limited in the Other Overseas Integrated Beverages Business (Myanmar).
The brands that Lion Pty Limited and Myanmar Brewery Limited hold are classified as intangible assets with indefinite useful lives as they are expected to bring economic benefits to the Group over the longer term in the Oceania area and Myanmar, respectively. The above table does not include the brands (intangible assets with indefinite useful lives) held by Brasil Kirin Holding S.A. (classified as a discontinued operation) which was transferred in the year ended December 31, 2017 (in May 2017).
Impairment tests for major goodwill and intangible assets with indefinite useful lives are performed as follows:

1) Oceania Integrated Beverages Business
The recoverable amount is measured at the higher of value in use and fair value less costs of disposal.
Value in use is calculated reflecting past experience and external information, and cash flows that are estimated based on the three-year business plan approved by management are discounted to present value. Continuous growth rate is determined at 2.0 to 2.5% (2016: 2.2 to 2.6%) and pre-tax discount rate is determined at 10.5 to 11.2% (2016: 10.4 to 11.0%) based on weighted-average capital cost of cash-generating units.
Fair value less costs of disposal is determined based on the market values related to businesses of peer companies (the market approach). Calculation of fair value entails management's judgement and assumptions on the future plans for the businesses that are subject to the calculation, and such judgement and assumptions are based on certain premises that are determined to be reasonable at the time of calculation. The fair value measurement is categorized in Level 3 based on the significant inputs in the valuation techniques used.
As the recoverable amount sufficiently exceeded the carrying amount of cash-generating units, the Company considers that the recoverable amount is not likely to fall below the carrying amount even when the assumptions such as future cash flows and discount rates change within a reasonable range.

2) Other Overseas Integrated Beverages Business (Myanmar)
The recoverable amount is measured at the higher of value in use and fair value less costs of disposal.
Value in use is calculated reflecting past experience and external information, and cash flows that are estimated based on the three-year business plan approved by management are discounted to present value. Continuous growth rate is determined at 3.7% (2016: 3.6%) and pre-tax discount rate is determined at 19.9% (2016: 18.7%) based on weighted-average capital cost of cash-generating units.
Fair value less costs of disposal is determined based on the market values related to businesses of peer companies (the market approach). Calculation of fair value entails management's judgement and assumptions on the future plans for the businesses that are subject to the calculation, and such judgement and assumptions are based on certain premises that are determined to be reasonable at the time of calculation. The fair value measurement is categorized in Level 3 based on the significant inputs in the valuation techniques used.
As the recoverable amount sufficiently exceeded the carrying amount of cash-generating units, the Company considers that the recoverable amount is not likely to fall below the carrying amount even when the assumptions such as future cash flows and discount rates change within a reasonable range.

3) Pharmaceuticals and Bio-chemicals Business
The recoverable amount is measured at the higher of value in use and fair value less costs of disposal.
Value in use is calculated reflecting past experience and external information, and cash flows that are estimated based on the three-year business plan approved by management are discounted to present value. Continuous growth rate is determined at 0 to 2% (2016: 0 to 2%) and pre-tax discount rate is determined at 6.8 to 9.4% (2016: 5.9 to 6.7%) based on weighted-average capital cost of cash-generating units.
Fair value less costs of disposal is determined based on the quoted share prices in active markets (the market approach). The fair value measurement is categorized in Level 1 based on the significant inputs in the valuation techniques used.
As the recoverable amount sufficiently exceeded the carrying amount of cash-generating units, the Company considers that the recoverable amount is not likely to fall below the carrying amount even when the assumptions such as future cash flows and discount rates change within a reasonable range.

10. OTHER FINANCIAL ASSETS

(1) OTHER FINANCIAL ASSETS CONSISTED OF THE FOLLOWING:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Shares	¥ 183,162	¥ 163,694	**¥ 184,734**
Derivative assets	24,038	20,282	**262**
Other	68,824	58,269	**32,121**
Allowance for doubtful accounts	(5,273)	(5,156)	**(5,220)**
Total	270,751	237,089	**211,897**
Non-current assets	254,550	210,243	**208,535**
Current assets	16,201	26,847	**3,362**

The amounts less allowance for doubtful accounts are presented in the consolidated statement of financial position.

Shares are classified as equity instruments measured at fair value through other comprehensive income, derivative assets are classified as financial assets measured at fair value through profit or loss, and others are classified mainly as financial assets measured at amortized cost.

(2) THE FAIR VALUES OF MARKETABLE AND NON-MARKETABLE EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME WERE AS SET OUT IN THE TABLE BELOW. THESE EQUITY INSTRUMENTS ARE MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AS THE GROUP HOLDS THEM FOR THE PURPOSE OF BUILDING, MAINTAINING AND STRENGTHENING TRANSACTIONAL AND COLLABORATIVE RELATIONSHIPS.

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Marketable	¥ 157,895	¥ 137,812	**¥ 155,067**
Non-marketable	25,266	25,882	**29,667**
Total	183,162	163,694	**184,734**

Of the above, fair values of major marketable shares were as follows:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Yakult Honsha Co., Ltd.	¥ 14,650	¥ 13,322	**¥ 20,893**
Mitsubishi Corporation	8,009	9,833	**12,294**
Mitsubishi Logistics Corporation	9,522	9,807	**8,677**
Tokio Marine Holdings, Inc.	14,885	7,588	**8,133**
Mitsubishi UFJ Financial Group, Inc.	14,574	6,890	**7,906**
Asahi Glass Co., Ltd.	5,317	6,081	**7,456**
Nikon Corporation	5,195	5,809	**7,257**
Mitsubishi Estate Co., Ltd.	8,051	7,426	**6,253**
Central Japan Railway Company	5,912	5,263	**5,523**
Skylark Co., Ltd	5,230	5,147	**5,343**

Non-marketable shares mainly consisted of investments in customers and counterparties in the Integrated Beverages Business. The total fair value of the investments at the date of transition to IFRS, at December 31, 2016 and 2017 were ¥18,499 million, ¥19,635 million and ¥22,615 million, respectively.

(3) THE GROUP SELLS AND DERECOGNIZES EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME TO MAKE EFFICIENT AND EFFECTIVE USE OF THE ASSETS IT HOLDS. FAIR VALUES AT THE TIME OF SALES IN EACH YEAR AND ACCUMULATED PROFIT OR LOSS RECOGNIZED IN OTHER COMPREHENSIVE INCOME IN EQUITY WERE AS FOLLOWS:

(¥ millions)

Year ended December 31, 2016		**Year ended December 31, 2017**	
Fair value	Accumulated profit or loss recognized in other comprehensive income in equity (Note)	**Fair value**	**Accumulated profit or loss recognized in other comprehensive income in equity (Note)**
¥13,558	¥5,133	**¥8,063**	**¥412**

Note: Accumulated profit or loss recognized in other comprehensive income in equity was transferred to retained earnings when the equity instruments were derecognized.

11. INCOME TAX

(1) DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Deferred tax assets and deferred tax liabilities in the consolidated statement of financial position were as follows:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Deferred tax assets	¥ 63,699	¥ 72,826	**¥ 96,727**
Deferred tax liabilities	46,686	43,342	**18,851**
Net	17,013	29,484	**77,876**

(2) CHANGES IN THE BALANCE OF DEFERRED TAX

Changes in the balance of deferred tax were as follows:

Year ended December 31, 2016

(¥ millions)

	Balance at January 1(net)	Amount recognized in net profit or loss	Amount recognized in other comprehensive income	Other (Note)	Balance at December 31(net)
Defined benefit asset or liability	¥28,026	¥414	¥3,160	¥(1,715)	¥29,886
Accrued expenses	10,606	(410)	-	1,708	11,903
Unused tax losses	4,638	329	-	(1,325)	3,642
Property, plant and equipment and intangible assets	(31,080)	(1,923)	-	8,201	(24,802)
Fair value reserve on equity instruments measured at fair value through other comprehensive income	(30,889)	-	5,044	1,880	(23,964)
Other	35,713	1,358	277	(4,529)	32,819
Total	17,013	(232)	8,482	4,220	29,484

Note: Other includes foreign currency translation differences on foreign operations and changes relating to discontinued operations.

Year ended December 31, 2017

(¥ millions)

	Balance at January 1(net)	Amount recognized in net profit or loss	Amount recognized in other comprehensive income	Other (Note)	Balance at December 31(net)
Defined benefit asset or liability	**¥29,886**	**¥35**	**¥(5,174)**	**¥232**	**¥24,979**
Accrued expenses	**11,903**	**(2)**	-	**(87)**	**11,813**
Unused tax losses	**3,642**	**2,842**	-	**39,083**	**45,567**
Property, plant and equipment and intangible assets	**(24,802)**	**(79)**	-	**16,750**	**(8,131)**
Fair value reserve on equity instruments measured at fair value through other comprehensive income	**(23,964)**	-	**(7,448)**	**315**	**(31,097)**
Other	**32,819**	**127**	**(714)**	**2,512**	**34,745**
Total	**29,484**	**2,923**	**(13,336)**	**58,806**	**77,876**

Note: Other includes foreign currency translation differences on foreign operations, changes relating to discontinued operations, decreases due to the sale of subsidiaries and transfer to assets held for sale.

(3) UNRECOGNIZED DEFERRED TAX LIABILITIES

Deferred tax liabilities related to investments in subsidiaries and associates and interests in joint arrangements are not recognized when the Group can control the timing of reversal of the related taxable temporary differences and it is not probable that they will reverse in the foreseeable future. The total amount of temporary differences related to investments in subsidiaries and associates and interests in joint arrangements at the date of transition to IFRS, at December 31, 2016 and 2017 were ¥284,970 million, ¥288,193 million and ¥290,632 million, respectively.

(4) UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets are not recognized in respect of the following items as it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Deductible temporary differences	¥ 144,593	¥ 137,544	**¥ 91,372**
Unused tax losses	57,217	64,719	**24,811**

Unused tax losses for which deferred tax assets were not recognized expire as follows:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
1st year	¥ 141	¥ 136	**¥ 416**
2nd year	446	396	**183**
3rd year	162	176	**410**
4th year	296	458	**472**
5th year onwards	5,082	2,528	**16,205**
With no expiration (Note)	51,090	61,026	**7,124**
Total	57,217	64,719	**24,811**

Note: Unused tax losses with no expiration for which deferred tax assets were not recognized decreased due to the sale of Brasil Kirin Holding S.A. which was classified as a discontinued operation for the year ended December 31, 2017.

(5) INCOME TAX EXPENSE

Income tax expense was as follows:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Current tax expense	¥ 49,819	**¥ 54,868**
Deferred tax expense	232	**(2,923)**
Income tax expense	50,051	**51,946**

Note: Deferred tax expense includes the effect from changes in tax rates of ¥3,437 million for the year ended December 31, 2016 and ¥(805) million for the year ended December 31, 2017.

(6) RECONCILIATION OF EFFECTIVE TAX RATE

The Group is mainly subject to a national corporate tax, an inhabitant tax and enterprise tax, based on which the statutory tax rate is calculated. The taxation system was revised in the year ended December 31, 2016, resulting in a statutory tax rate of 33.1% and 30.9% for the year ended December 31, 2016 and 2017, respectively. For foreign subsidiaries, local corporate and other tax rates have been applied. Reconciliation of the statutory tax rate for continuing operations and the average effective tax rate was as follows:

(In percent)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Statutory tax rate	33.1%	**30.9%**
(Adjustments)		
Tax effect on income and expenses not taxable and deductible for tax purposes	1.0	**0.8**
Equity in earnings of associates	(2.7)	**(3.5)**
Changes in unrecognized deferred tax assets	(4.9)	**(1.4)**
Effects due to change in tax rates	1.7	**(0.3)**
Difference in applicable tax rates between the Company and its subsidiaries	(0.8)	**(0.3)**
Tax credits	(2.4)	**(2.8)**
Other	(1.0)	**(1.2)**
Average effective tax rate	24.0	**22.2**

12. INVENTORIES

Inventories consisted of the following:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Merchandise and finished goods	¥ 154,164	¥ 134,521	**¥ 128,303**
Work in process	26,090	21,759	**24,257**
Raw materials and supplies	48,204	48,910	**42,277**
Total	228,458	205,190	**194,837**
Of which, inventories held for sale over 12 months	20,433	19,621	**21,245**

Loss on devaluation of inventories which was recognized as an expense was ¥3,343 million for the year ended December 31, 2016 and ¥3,181 million for the year ended December 31, 2017.
These write-downs are included in cost of sales in the consolidated statements of profit or loss.

13. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Notes and accounts receivable, trade (trade receivables)	¥ 418,229	¥ 407,468	**¥ 383,672**
Accrued accounts receivable	17,600	32,282	**13,091**
Allowance for doubtful accounts	(4,494)	(5,522)	**(1,499)**
Total	431,335	434,229	**395,263**

The amounts less allowance for doubtful accounts are presented in the consolidated statement of financial position.
Trade and other receivables are classified as financial assets measured at amortized cost.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents and the relationship between the amount of cash and cash equivalents in the consolidated statement of financial position and the amount of cash and cash equivalents in the consolidated statement of cash flows were as follows:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Cash and time deposits (except for fixed term deposits over three months)	¥ 78,933	¥ 62,054	**¥ 160,913**
Short-term investments	807	4,445	**-**
Cash and cash equivalents in the consolidated statement of financial position	79,740	66,499	**160,913**
Cash and cash equivalents included in assets held for sale	-	-	**1,074**
Cash and cash equivalents in the consolidated statement of cash flows	79,740	66,499	**161,987**

Cash and cash equivalents are classified as financial assets measured at amortized cost.

15. ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH THERETO

Assets held for sale and liabilities associated with assets held for sale consisted of the following:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Property, plant and equipment	¥ -	¥ -	**¥ 2,791**
Goodwill	-	-	**2,213**
Inventories	-	-	**3,053**
Trade and other receivables	-	-	**2,684**
Cash and cash equivalents	-	-	**1,074**
Interests in joint venture	-	-	**63,224**
Other	-	-	**1,305**
Total assets	-	-	**76,344**
Defined benefit liability	-	-	**1,175**
Trade and other payables	-	-	**1,678**
Other	-	-	**1,258**
Total liabilities	-	-	**4,111**

Assets held for sale and liabilities associated with thereto for the year ended December 31, 2017 consisted of a consolidated subsidiary in the Pharmaceuticals and Bio-chemicals Business and Interests in joint venture. As the Group concluded agreements on the transfer of their shares in the year ended December 31, 2017, they are classified into assets held for sale and liabilities associated with thereto at December 31, 2017.
The transfer of the consolidated subsidiary was completed on January 4, 2018, and since then the consolidated subsidiary has become an equity-accounted investee of the Group. The details on the transfer of interests in joint venture are described in Note 40. Subsequent events.
Reserves relating to assets held for sale were ¥3,084 million at December 31, 2017.

16. CAPITAL AND RESERVES

(1) SHARE CAPITAL AND SHARE PREMIUM

Changes in the number of shares issued and the number of shares authorized were as follows:

(Thousand shares)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Issued shares at January 1	914,000	**914,000**
Changes	-	**-**
Issued shares at December 31 —fully paid	914,000	**914,000**
Authorized shares at December 31	1,732,026	**1,732,026**

All of the shares issued by the Company are no-par ordinary shares without any limitation on the rights of the shares.

Regarding share premium and retained earnings, the Japanese Companies Act prescribes that until the total amount of capital reserve in share premium and legal earnings reserve included in retained earnings reaches 25% of share capital, 10% of any appropriation of surplus to shareholders from retained earnings is required to be set aside as additional paid-in capital or legal earnings reserve in each year.
The distributable amount under the Japanese Companies Act is calculated based on share premium and retained earnings as presented in the Company's accounting books in accordance with generally accepted accounting principles in Japan. Paid-in capital and legal earnings reserve are deducted from the distributable amount.

(2) TREASURY SHARES

Changes in the number of treasury shares were as follows:

(Thousand shares)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Treasury shares at January 1	1,471	**1,484**
Changes	13	**(90)**
Treasury shares at December 31	1,484	**1,394**

Treasury shares of the Company comprise the cost of shares in the Company that the Group holds.
Changes in treasury shares for the year ended December 31, 2016 consisted of the following:

・Reissuance of less-than-one unit shares: (1) thousand shares
・Acquisition of less-than-one unit shares: 14 thousand shares

Changes in treasury shares for the year ended December 31, 2017 consisted of the following:
・Reissuance of shares as restricted stock compensation: (113) thousand shares
・Reissuance of less-than-one unit shares: (0) thousand shares
・Acquisition of less-than-one unit shares: 24 thousand shares

(3) DETAILS AND PURPOSE OF RESERVES

1) Foreign currency translation differences on foreign operations

Foreign currency translation differences on foreign operations comprise foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

2) Cash flow hedges

Cash flow hedges comprise the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

3) Net change in equity instruments measured at fair value through other comprehensive income

Net change in equity instruments measured at fair value through other comprehensive income comprises net unrealized gains or losses on the fair value of equity instruments measured at fair value through other comprehensive income.

4) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans comprise net change of actuarial gains and losses, the return on plan assets (excluding the amount included in interest income) and the effect of asset ceiling (excluding the amount included in interest income). Actuarial gains and losses result from adjustments based on performance related to defined benefit obligations (the difference between actuarial assumptions at the beginning of the year and the result of performance) and the effect of changes in actuarial assumptions. They are recognized in other comprehensive income as incurred and immediately transferred from reserves to retained earnings.

(4) DIVIDENDS

Dividend payments were as follows:

Resolution	Type of shares	Total amount of dividend (¥ millions)	Dividend per share (Yen)	Record date	Effective date
March 30, 2016 Annual General Meeting of Shareholders	Ordinary shares	17,338	19.00	December 31, 2015	March 31, 2016
August 4, 2016 Board of Directors' Meeting	Ordinary shares	17,338	19.00	June 30, 2016	September 6, 2016
March 30, 2017 Annual General Meeting of Shareholders	Ordinary shares	18,250	20.00	December 31, 2016	March 31, 2017
August 3, 2017 Board of Directors' Meeting	Ordinary shares	18,709	20.50	June 30, 2017	September 5, 2017

Dividends whose record date is attributable to, but to be effective after, the year are as follows:

Resolution	Type of shares	Total amount of dividend (¥ millions)	Dividend per share (Yen)	Record date	Effective date
March 29, 2018 Annual General Meeting of Shareholders	Ordinary shares	23,271	25.50	December 31, 2017	March 30, 2018

17. BONDS AND BORROWINGS (INCLUDING OTHER FINANCIAL LIABILITIES)

(1) DETAILS OF FINANCIAL LIABILITIES

Bonds and borrowings and other financial liabilities consisted of the following:

	At January 1, 2016 (Date of transition to IFRS) (¥ millions)	At December 31, 2016 (¥ millions)	**At December 31, 2017 (¥ millions)**	Average interest rate (%) (Note 3)	Maturity
Bonds (maturities of over one year) (Note 4)	¥ 194,634	¥ 194,719	**¥ 124,812**	1.47%	November 5, 2019 to February 28, 2025
Bonds (maturities of one year or less) (Note 4)	29,981	-	**69,993**	1.72	March 19, 2018
Long-term borrowings (maturity of over one year)	442,795	316,817	**237,810**	0.56	February 19, 2019 to December 21, 2025
Long-term borrowings (maturities of one year or less)	86,359	92,050	**50,045**	0.77	March 30 and December 27, 2018
Short-term borrowings	38,053	19,627	**3,815**	1.10	-
Commercial paper	-	45,000	-	(0.01)	-
Deposits received (Note 2)	56,701	55,491	**52,371**	1.07	-
Accrued expenses	48,633	35,871	**40,770**	-	-
Derivatives liabilities	4,837	22,702	**8,797**	-	-
Other	51,910	44,875	**41,446**	-	-
Total	953,904	827,152	**629,858**	-	-
Non-current liabilities	733,021	604,801	**450,897**	-	-
Current liabilities	220,883	222,351	**178,961**	-	-

Notes:

1. Derivative liabilities are classified as financial liabilities measured at fair value, and financial liabilities other than derivative liabilities are classified as financial liabilities measures at amortized cost.
2. A maturity has not been set for these deposits received as they have been pledged as cash collateral.
3. Average interest rates are determined based on average balances for the year.
4. The terms and conditions of bond issuance are summarized as follows:

Company name	Series	Issue date	At January 1, 2016 (Date of transition to IFRS) (¥ millions)	At December 31, 2016 (¥ millions)	**At December 31, 2017 (¥ millions)**	Interest rate (%)	Maturity
Kirin Holdings Company, Limited	Kirin Holdings Company, Limited 3rd series of unsecured bonds	March 19, 2008	¥ 69,933	¥ 69,963	**¥ 69,993**	1.69%	March 19, 2018
Kirin Holdings Company, Limited	Kirin Holdings Company, Limited 4th series of unsecured bonds	March 19, 2008	19,960	19,969	**19,979**	1.86	March 19, 2020
Kirin Holdings Company, Limited	Kirin Holdings Company, Limited 7th series of unsecured bonds	November 5, 2009	49,925	49,944	**49,963**	1.639	November 5, 2019
Kirin Holdings Company, Limited	Kirin Holdings Company, Limited 8th series of unsecured bonds	September 26, 2011	29,981	-	-	0.505	September 26, 2016
Kirin Holdings Company, Limited	Kirin Holdings Company, Limited 9th series of unsecured bonds	September 26, 2011	39,893	39,911	**39,930**	1.239	September 24, 2021
Kirin Holdings Company, Limited	Kirin Holdings Company, Limited 10th series of unsecured bonds	March 2, 2015	14,924	14,932	**14,940**	0.603	February 28, 2025
Total			224,614	194,719	**194,805**	-	-

(2) PLEDGED ASSETS AND SECURED DEBT

1) Pledged assets

Pledged assets consisted of the following:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Buildings and structures	¥ 10,502	¥ 8,546	**¥ -**
Machinery, equipment and vehicles	39,973	37,377	**-**
Land	206	209	**-**
Shares (Note)	799	660	**800**
Other	-	-	**12**
Total	51,479	46,792	**812**

Note: Shares were pledged as collateral in order to utilize the deferred payment system under the Japanese Customs Act and Consumption Tax Act.

2) Secured debt

Secured debt consisted of the following:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Long-term borrowings	¥ 32,229	¥ 22,971	**¥ -**
Short-term borrowings	11,872	13,133	**-**
Total	44,101	36,105	**-**

Pledged assets and secured debt decreased due to the sale of Brasil Kirin Holding S.A. which was classified as a discontinued operation for the year at ended December 31, 2017.

18. LEASE TRANSACTIONS

(1) FINANCE LEASES

Future minimum lease payments for leased assets under finance leases, future finance expenses and present value for each payment period were as follows:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Due within one year			
Future minimum lease payments	¥ 2,688	¥ 2,615	**¥ 2,326**
Future finance expenses	265	223	**211**
Present value	2,423	2,392	**2,115**
Between one and five years			
Future minimum lease payments	8,834	8,249	**7,697**
Future finance expenses	688	630	**599**
Present value	8,146	7,619	**7,098**
More than five years			
Future minimum lease payments	2,128	1,768	**1,229**
Future finance expenses	198	76	**25**
Present value	1,930	1,692	**1,203**
Total			
Future minimum lease payments	13,650	12,632	**11,252**
Future finance expenses	1,152	930	**835**
Present value	12,498	11,703	**10,416**

(2) OPERATING LEASES

Future minimum lease payments based on non-cancelable operating leases were as follows:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Due within one year	¥ 9,242	¥ 8,371	**¥ 8,971**
Between one and five years	24,517	23,043	**25,571**
More than five years	10,802	13,052	**17,083**
Total	44,562	44,466	**51,625**

Minimum lease payments under operating leases which were recognized as an expense from continuing operations were as follows:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Minimum lease payments	¥ 21,800	**¥ 22,174**

19. EMPLOYEE BENEFITS

(1) DEFINED BENEFIT PLANS

As defined benefit plans, the Group has lump-sum severance payment plans, defined benefit corporate pension plans, and employees' pension fund plans.

Benefits under the defined benefit plans are determined based on the points earned during the service period, benefit rates upon retirement, number of years of service, last average salary before retirement and other conditions.

In some cases, additional retirement benefits are paid for early retirement of employees before the ordinary retirement dates.

The defined benefit plans are managed by the Group or pension funds that are separate from the Group in accordance with relevant laws and regulations.

The Group or the administrative board of the pension funds and the pension management entrusted organizations are required by laws and regulations to faithfully conduct their work in relation to the funds of plan participants, bearing the responsibility to manage plan assets in accordance with given policies.

In managing plan assets, the optimum asset mix is formulated by external institutions that conduct pension ALM (asset liability management). Under the optimum asset mix, risks, expected rates of return and asset composition ratios by investment asset are determined, and plan assets are managed by maintaining the composition ratios.

The Group and pension funds periodically examine the pension financing pursuant to laws and regulations in order to keep the balance of pension finance in preparation for the appropriation for and shortages in future payments of benefits, and recalculate the amount of pension contributions.

Major plans of the Group are exposed to risks such as investment risk, interest rate risk, inflation risk and life span risk.

1) Reconciliation of defined benefit obligations

Reconciliation between the beginning balance and ending balance of the present value of defined benefit obligations was as follows:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Balance at January 1	¥ 320,385	**¥ 325,352**
Current service cost	11,916	**12,089**
Interest cost	2,478	**1,575**
Remeasurement loss (gain)		
Changes in demographic assumptions	(49)	**(642)**
Changes in financial assumptions	11,336	**265**
Changes in experience adjustment	2,037	**(876)**
Past service cost	(3,064)	**1,187**
Foreign currency translation differences	(412)	**(472)**
Payments from plans	(18,589)	**(18,220)**
Other changes	(685)	**(3,358)**
Balance at December 31	325,352	**316,899**

Weighted-average duration of defined benefit obligations was 12.7 years at December 31, 2016 and 11.9 years at December 31, 2017.

2) Reconciliation of plan assets

Reconciliation between the beginning balance and ending balance of the fair value of plan assets was as follows:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Balance at January 1	¥ 259,141	**¥ 256,023**
Interest income	2,177	**1,339**
Remeasurement loss (gain)		
Gain on plan assets (excluding interest income)	2,943	**14,203**
Foreign currency translation differences	(423)	**(317)**
Contributions paid by the employer	6,577	**5,275**
Payments from plans	(13,404)	**(12,861)**
Other changes	(988)	**(2,196)**
Balance at December 31	256,023	**261,466**

The Group plans to contribute ¥5,200 million to the defined benefit plans for the year ending December 31, 2018.

3) Defined benefit obligations and plan assets

The following table shows the relationship between the present value of defined benefit obligations, fair value of plan assets and defined benefit liability (asset) in the consolidated statement of financial position:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Present value of defined benefit obligations	¥ 320,385	¥ 325,352	**¥ 316,899**
Fair value of plan assets	(259,141)	(256,023)	**(261,466)**
Total	61,244	69,329	**55,433**
Defined benefit liability	67,515	74,799	**66,016**
Defined benefit asset	(6,270)	(5,470)	**(10,583)**

Note: Defined benefit asset is included in other non-current assets in the consolidated statement of financial position.

4) Details of plan assets

Total plan assets consisted of the following:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)		At December 31, 2016		**At December 31, 2017**	
	With quoted prices in active markets	Without quoted prices in active markets	With quoted prices in active markets	Without quoted prices in active markets	**With quoted prices in active markets**	**Without quoted prices in active markets**
Equity instruments	¥58,964	¥ -	¥58,703	¥ -	**¥66,338**	**¥ -**
Debt instruments	84,281	-	89,504	-	**94,841**	**-**
General accounts	-	86,815	-	85,461	**-**	**77,726**
Other	101	28,980	119	22,235	**8**	**22,554**
Total	143,345	115,796	148,327	107,696	**161,187**	**100,279**

5) Actuarial assumptions

Major actuarial assumptions were as follows:

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Discount rate (weighted-average)	0.8%	0.5%	**0.5%**

The effect of 0.5% change in the material actuarial assumptions on the defined benefit obligations was as follows, assuming that the other variables are constant:

(¥ millions)

		At December 31, 2016	**At December 31, 2017**
Discount rate	Increase by 0.5%	¥ (17,775)	**¥ (17,235)**
	Decrease by 0.5%	19,260	**18,602**

(2) DEFINED CONTRIBUTION PLANS

The Company and some of its consolidated subsidiaries have defined contribution plans as well as defined benefit plans.

Expenses recorded for the defined contribution plans (including expenses recognized in relation to public pension systems) were ¥13,830 million for the year ended December 31, 2016 and ¥13,756 million for the year ended December 31, 2017.

(3) EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses included in the consolidated statement of profit or loss were ¥296,176 million for the year ended December 31, 2016 and ¥274,319 million for the year ended December 31, 2017. Employee benefit expenses mainly include wages and salaries, employee bonuses, statutory welfare expenses and expenses for post-retirement benefits. Interest costs and interest income on post-retirement benefits are included in finance costs on a net basis, and past service costs are included in other operating expenses and other operating income. Other expenses relating to employee benefits are included in cost of sales, selling, general and administrative expenses, other operating expenses and profit from discontinued operations.

20. PROVISIONS

Details of and changes in provisions were as follows:

Year ended December 31, 2017

(¥ millions)

	Allowance for loss on plants reorganization	Other	Total
Balance at January 1, 2017	¥3,785	¥38,031	¥ 41,816
Increase	1,331	6,041	7,372
Decrease resulting from settlement	(885)	(5,482)	(6,367)
Decrease due to reversal	(347)	(390)	(737)
Foreign currency translation differences	20	(1,352)	(1,332)
Sale of subsidiaries	-	(32,386)	(32,386)
Other	-	25	26
Balance at December 31, 2017	**3,904**	**4,486**	**8,391**
Non-current	2,988	4,397	7,385
Current	916	89	1,005

Explanations of provisions are provided in Note 3. Significant accounting policies.

21. TRADE AND OTHER PAYABLES

Trade and other payables consisted of the following:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Notes and accounts payable, trade	¥140,255	¥132,212	**¥ 113,727**
Accounts payable	50,200	57,130	**54,441**
Refund liabilities	59,854	57,177	**56,719**
Total	250,310	246,519	**224,887**

Trade and other payables are classified as financial liabilities measured at amortized cost.

22. OTHER LIABILITIES

Other non-current liabilities and other current liabilities consisted of the following:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Liquor taxes payable	¥ 86,020	¥ 80,651	**¥ 77,784**
Contract liabilities	17,948	14,802	**11,256**
Other	104,665	117,517	**118,869**
Total	208,633	212,970	**207,909**
Non-current liabilities	18,308	14,421	**13,282**
Current liabilities	190,325	198,550	**194,628**

23. REVENUE

(1) ANALYSIS OF REVENUE AND RECONCILIATION TO REVENUE FROM UNAFFILIATED CUSTOMERS BY SEGMENT

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Integrated Beverages		
Japan Integrated Beverages		
Alcoholic beverages	¥ 740,769	**¥ 734,251**
Non-alcoholic beverages	290,401	**283,888**
Other	30,444	**32,836**
Total	1,061,614	**1,050,975**
Oceania Integrated Beverages		
Alcoholic beverages	210,281	**195,274**
Non-alcoholic beverages	147,230	**153,362**
Total	357,511	**348,637**
Other Overseas Integrated Beverages		
Alcoholic beverages	22,646	**25,603**
Non-alcoholic beverages	46,350	**72,302**
Other	1,984	**2,044**
Total	70,980	**99,948**
Pharmaceuticals and Bio-chemicals		
Pharmaceuticals	269,263	**274,776**
Bio-chemicals	72,160	**71,932**
Total	341,423	**346,708**
Other	22,410	**17,462**
Consolidated	1,853,937	**1,863,730**

(2) TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS

Of licensing revenue, consideration for which the performance obligation is not satisfied at a point in time is recorded as contract liabilities and is recognized as revenue over a period of time according to the satisfaction of related performance obligations, such as development cooperation. The following table shows the total transaction price which is allocated to residual performance obligations under agreements related to such licensing revenue and periods when the revenue is expected to be recognized:

(¥ millions)

	At December 31, 2016	**At December 31, 2017**
Due within one year	¥ 6,169	**¥ 4,098**
Between one and two years	3,525	**3,194**
Between two and three years	1,815	**1,425**
More than three years	3,293	**2,540**
Total	14,802	**11,256**

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses consisted of the following:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Sales promotion and advertising	¥ 155,801	**¥ 158,210**
Employee benefit expenses	166,806	**172,245**
Freight	64,875	**67,077**
Research and development	61,863	**58,750**
Depreciation and amortization	26,697	**27,450**
Other	129,272	**134,484**
Total	605,313	**618,215**

25. OTHER OPERATING INCOME

Other operating income consisted of the following:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Gain on sale of property, plant and equipment and intangible assets	¥ 7,970	**¥ 34,323**
Gain on termination of license agreements	24,351	-
Past service costs for post-employment benefits	3,064	-
Gain on sale of shares of subsidiaries	-	**2,416**
Gain on transfer of business	-	**4,818**
Other	5,009	**5,296**
Total	40,394	**46,853**

Note: Gain on termination of license agreements is recorded by Lion Pty Limited, a consolidated subsidiary of the Company, following the termination of license agreements for sales of imported beer in Australia.

26. OTHER OPERATING EXPENSES

Other operating expenses consisted of the following:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Impairment losses	¥ 4,228	**¥ 8,027**
Business restructuring expense	8,549	**6,705**
Software development expenses	1,891	**5,332**
Loss on disposal and sale of property, plant and equipment and intangible assets	2,483	**1,634**
Other	8,635	**8,409**
Total	25,786	**30,106**

Note: Business restructuring expense for the year ended December 31, 2016 includes additional employees' retirement benefits of ¥5,034 million and expense for plants reorganization of ¥3,472 million at consolidated subsidiaries. Business restructuring expense for the year ended December 31, 2017 includes additional employees' retirement benefits of ¥985 million and expense for plants reorganization of ¥2,326 million at consolidated subsidiaries.

27. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs consisted of the following:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Interest income (Note 1)	¥ 1,083	**¥ 1,812**
Dividend income (Note 2)	2,695	**2,846**
Other	185	**170**
Total finance income	3,963	**4,829**
Interest paid (Note 1)	7,117	**6,474**
Foreign exchange losses (net)	1,478	**3,846**
Other	734	**764**
Total finance costs	9,329	**11,084**

Notes:

1. Interest income and interest paid were generated mainly from financial assets and financial liabilities measured at amortized cost.
2. Dividend income was generated from equity instruments measured at fair value through other comprehensive income.

28. CASH FLOWS

(1) RECONCILIATION OF LIABILITIES FOR FINANCING ACTIVITIES

Changes in major assets and liabilities for financing activities were as follows:

Year ended December 31, 2016

(¥ millions)

	Short-term borrowings	Commercial paper	Long-term borrowings (Note 1)	Bonds (Note 1)	Derivatives used for hedging - liabilities
Balance at January 1, 2016	¥38,053	¥ -	¥ 529,154	¥ 224,614	¥ (20,271)
Total changes arising from cash flows from financing activities	(19,428)	45,000	(106,604)	(30,000)	-
Foreign currency translation differences	1,001	-	(1,937)	-	-
Changes in fair value	-	-	-	-	5,045
Interest expense	-	-	219	105	-
Forgiveness of debts (Note 2)	-	-	(11,966)	-	-
Total non-cash changes in liabilities	1,001	-	(13,684)	105	5,045
Balance at December 31, 2016	19,627	45,000	408,866	194,719	(15,226)

Notes:

1. Long-term borrowings with maturities of one year or less and bonds with maturities of one year or less are included.
2. The borrowings of Brasil Kirin Holding S.A. from state government-run financial institutions were partly forgiven.

Year ended December 31, 2017

(¥ millions)

	Short-term borrowings	Commercial paper	Long-term borrowings (Note)	Bonds (Note)	Derivatives used for hedging - liabilities
Balance at January 1, 2017	**¥19,627**	**¥ 45,000**	**¥ 408,866**	**¥ 194,719**	**¥ (15,226)**
Total changes arising from cash flows from financing activities	**(15,707)**	**(45,000)**	**(86,580)**	-	**17,589**
Changes from sale of subsidiary	**(303)**	-	**(28,214)**	-	**(248)**
Foreign currency translation differences	**198**	-	**(6,398)**	-	-
Changes in fair value	-	-	-	-	**3,164**
Interest expense	-	-	**180**	**86**	-
Total non-cash changes in liabilities	**(105)**	-	**(34,431)**	**86**	**2,916**
Balance at December 31, 2017	**3,815**	-	**287,855**	**194,805**	**5,279**

Note: Long-term borrowings with maturities of one year or less and bonds with maturities of one year or less are included.

(2) PAYMENT FOR ACQUISITION OF BUSINESS

Year ended December 31, 2017

The Coca-Cola Bottling Company of Northern New England, Inc., a subsidiary of the soft drinks business in the United States, acquired the manufacturing and sales business in the territories adjacent to the northeastern part of the United States from Coca-Cola Refreshments USA, Inc. The details of major assets and liabilities acquired and relationships between cost for acquisition of business and payment for acquisition of business were as follows:

(¥ millions)

Non-current assets	**¥ 26,090**
Current assets	**6,071**
Goodwill	**1,722**
Current liabilities	**(4,070)**
Cost for acquisition of business	**29,813**
Accounts payable	**(7,186)**
Cash and cash equivalents held by acquired business	**(42)**
Payment for acquisition of business, net of cash acquired	**22,585**

(3) PROCEEDS FROM SALE OF SHARES OF SUBSIDIARIES

Year ended December 31, 2017

Proceeds from sale of shares of subsidiaries include accrued accounts receivable of ¥18,708 million from sale of shares of companies which were excluded from the scope of consolidation through the sale of shares in prior years.

(4) PROCEEDS FROM SALE OF DISCONTINUED OPERATIONS

Year ended December 31, 2017

Proceeds from sale of discontinued operations consisted of proceeds from sale of Brasil Kirin Holding S.A. which was classified as a discontinued operation. The relationship between the sale value of the company and net proceeds from sale was as follows:

(¥ millions)

Non-current assets	**¥ 155,470**
Current assets	**52,828**
Non-current liabilities	**(72,559)**
Current liabilities	**(90,128)**
Net assets of subsidiary	**45,610**
Fair value of consideration	**75,299**
Costs associated with the sale of shares	**(1,535)**
Accrued accounts receivable from sale	**(1,689)**
Cash and cash equivalents held by discontinued operations	**(4,745)**
Proceeds from sale of discontinued operations, net of cash disposed of	**67,332**

(5) COLLECTION OF LOANS RECEIVABLE

Year ended December 31, 2017

Collection of loans receivable was the amount of loans collected from Brasil Kirin Holding S.A., classified as a discontinued operation, after the sale of the company.

29. OTHER COMPREHENSIVE INCOME

The following table shows amounts arising during the year, amounts reclassified to profit or loss and tax effects for each component of comprehensive income included in other comprehensive income:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Net change in equity instruments measured at fair value through other comprehensive income		
Amount arising during the year	¥ (8,826)	**¥ 26,320**
Before taxes	(8,826)	**26,320**
Tax effects	5,044	**(7,448)**
After taxes	(3,782)	**18,872**
Remeasurements of defined benefit plans		
Amount arising during the year	(10,381)	**15,456**
Before taxes	(10,381)	**15,456**
Tax effects	3,160	**(5,174)**
After taxes	(7,220)	**10,282**
Foreign currency translation differences on foreign operations		
Amount arising during the year	(28,704)	**12,608**
Reclassification adjustments	-	**(5,219)**
Before taxes	(28,704)	**7,389**
Tax effects	-	**-**
After taxes	(28,704)	**7,389**
Cash flow hedges		
Amount arising during the year	(2,125)	**3,595**
Reclassification adjustments	(3)	**219**
Before taxes	(2,128)	**3,814**
Tax effects	277	**(714)**
After taxes	(1,851)	**3,100**
Share of other comprehensive income of equity-accounted investees		
Amount arising during the year	(22,277)	**8,275**
After taxes	(22,277)	**8,275**
Total other comprehensive income		
Amount arising during the year	(72,314)	**66,255**
Reclassification adjustments	(3)	**(5,000)**
Before taxes	(72,316)	**61,255**
Tax effects	8,482	**(13,336)**
After taxes	(63,835)	**47,918**

30. EARNINGS PER SHARE

(1) BASIS OF CALCULATION OF BASIC EARNINGS PER SHARE

The basis of calculation of basic earnings per share was as follows:

1) Profit attributable to ordinary shareholders of the Company (basic)

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Profit attributable to owners of the Company	¥ 148,918	**¥ 242,057**
Profit not attributable to ordinary shareholders of the Company	-	-
Profit attributable to ordinary shareholders of the Company	148,918	**242,057**
Profit from discontinued operations attributable to ordinary shareholders of the Company	8,190	**84,980**
Profit from continuing operations attributable to ordinary shareholders of the Company	140,728	**157,077**

2) Weighted-average number of ordinary shares (basic)

(Thousands of shares)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Weighted-average number of ordinary shares	912,523	**912,579**

(2) BASIS OF CALCULATION OF DILUTED EARNINGS PER SHARE

Diluted earnings per share were calculated as follows based on profit attributable to ordinary shareholders of the Company and weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares:

1) Profit attributable to ordinary shareholders of the Company (diluted)

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Profit attributable to ordinary shareholders of the Company	¥ 148,918	**¥ 242,057**
Adjustments for potential ordinary shares issued by subsidiary	(12)	**(27)**
Profit attributable to ordinary shareholders of the Company (diluted)	148,906	**242,030**
Profit from discontinued operations attributable to ordinary shareholders of the Company (diluted)	8,190	**84,980**
Profit from continuing operations attributable to ordinary shareholders of the Company (diluted)	140,716	**157,051**

2) Weighted-average number of ordinary shares (diluted)

(Thousands of shares)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Weighted-average number of ordinary shares (basic)	912,523	**912,579**
Effect of dilution	-	-
Weighted-average number of ordinary shares (diluted)	912,523	**912,579**

31. SHARE-BASED PAYMENTS

(1) RESTRICTED STOCK COMPENSATION SYSTEM

1) Details of the program

In the year ended December 31, 2017, the Group introduced a Restricted Stock Compensation System to further promote sharing corporate value with shareholders and structure a compensation system that will help increase the Company's corporate value for the medium-to-long term. The System grants Directors, excluding Outside Directors, and Executive Officers of the Company and its subsidiary KIRIN Company, Limited ("the Directors and Officers") monetary compensation claims each year in principle for the allotment of restricted stock. These monetary compensation claims will be the source of contribution in kind to be converted to ordinary shares of the Company to be issued or sold to the Directors and Officers, enabling them to hold the shares. Under the share allotment agreement entered into between the Company and the Directors and Officers, the Directors and Officers are not allowed to transfer, securitize or dispose of the shares granted under said agreement ("Transfer Restriction") during a certain period defined in said agreement ("Transfer Restriction Period"). The Transfer Restriction will be removed for all or part of the shares allotted when the Transfer Restriction Period expires according to the degree of achievement of the goals in the first year of the Transfer Restriction Period based on the key management indicators set out in the medium-term management plan and other indicators decided at the Board of Directors' Meetings. On the other hand, shares for which the Transfer Restriction has not been removed will be acquired by the Company without compensation.

2) Number of shares granted during the year and fair values

	Year ended December 31, 2016	**Year ended December 31, 2017**
Date of grant	-	May 10, 2017
Number of shares granted (shares)	-	113,043
Fair value at date of grant (yen)	-	2,110

3) Amounts recorded in the consolidated statement of profit or loss

Expenses related to the Restricted Stock Compensation System were ¥239 million for the year ended December 31, 2017, which were recorded in selling, general and administrative expenses in the consolidated statement of profit or loss.

(2) SHARE OPTIONS

1) Details of the plan

The Company's subsidiary Kyowa Hakko Kirin Company, Limited has share option plans, all of which are equity-settled share-based payments. Based on the details approved at the shareholders meetings and by the Board of Directors' Meetings of Kyowa Hakko Kirin Company, Limited, subscription rights to shares issued as share options are granted to directors and managing officers of Kyowa Hakko Kirin Company, Limited and some directors of the subsidiaries of Kyowa Hakko Kirin Company, Limited. If grantees are dismissed from the position of director or managing officer, the subscription rights to shares will be extinguished. When the retirement date of the grantee comes before the expiration of his or her term of office, the number of subscription rights to shares is adjusted according to the number of months of his or her tenure. The exercise period is defined in the allotment agreement, ranging from three to twenty years. If the grantee loses his or her position or does not exercise the subscription rights to shares during the exercise period, said rights will be extinguished.

2) Number of share options and weighted-average exercise prices

The number of share options and weighted-average exercise prices were as follows:

	Year ended December 31, 2016		**Year ended December 31, 2017**	
	Number of shares (shares)	Weighted-average exercise price (Yen)	Number of shares (shares)	Weighted-average exercise price (Yen)
Outstanding at January 1	452,000	1	**528,000**	**1**
Grants	76,000	1	**152,300**	**1**
Exercise	-	-	**(93,000)**	**1**
Expiration or extinguishment	-	-	-	-
Outstanding at December 31	528,000	1	**587,300**	**1**
Exercisable outstanding at December 31	-	1	-	**1**

Notes:

1. The weighted-average share price at the exercise dates for the share options exercised during the year ended December 31, 2017 was ¥1,765.
2. The weighted-average remaining period of the outstanding share options were 16.3 years and 12.7 years for the years ended December 31, 2016 and 2017, respectively.

3) Fair value of share options granted during the year and measurement assumptions

The weighted-average fair value of the share options granted during the year has been measured using the Black-Scholes model based on the following assumptions:

	2016 Share options	**2017 Share options**
Weighted-average fair value at grant date	¥1,757	**¥1,694**
Share price at grant date	¥1,783	**¥1,768**
Exercise price	¥1	**¥1**
Expected volatility (Note)	11.7%	**9.8%**
Expected remaining period	1 year	**3 years**
Expected dividends	¥25/share	**¥25/share**
Risk-free interest rate	0.07%	**0.02%**

Note: Expected volatility has been calculated based on an evaluation of the historical volatility of the Company's share price over the most recent period corresponding to the expected remaining period.

4) Amounts recorded in the consolidated statement of profit or loss

Expenses related to the share options were ¥132 million and ¥204 million for the years ended December 31, 2016 and 2017, respectively, which were recorded in selling, general and administrative expenses in the consolidated statement of profit or loss.

32. FINANCIAL INSTRUMENTS

(1) CAPITAL MANAGEMENT

The Group's basic policy for capital management is to maintain optimum capital structure with a focus on providing shareholders with returns and securing a sound, flexible financial footing towards the objective of maximizing corporate value. Aiming to improve profitability and efficiency, the Group utilizes cash flows which are provided by activities such as generating Group synergies, promoting lean management and reducing assets, in order to conduct business investments and capital investments, provide shareholder returns, and repay interest-bearing liabilities.

(2) MATTERS RELATED TO RISK MANAGEMENT

The Group is exposed to financial risks, including credit risk, liquidity risk and market risk, in its business activities. To reduce such risks, the Group practices risk management based on established policies and procedures.

The Group limits the use of derivatives to that for the purpose of hedging financial risks, and does not use derivatives for speculative purposes.

(3) CREDIT RISK

1) Credit risk management

The Group is exposed to credit risk associated with trade receivables (notes and accounts receivable, trade), other receivables (accrued accounts receivable) and other financial assets (such as guarantee deposits).

In accordance with the internal policies for managing credit risk arising from these financial assets, in each sales division, the Company and relevant subsidiaries monitor credit worthiness of their main customers and counterparties on a periodical basis and manage due dates and outstanding balances by individual customer. In addition, efforts are made to quickly identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Group believes that the credit risk of derivatives is insignificant as it enters into derivatives only with financial institutions which have a high credit rating.

The Group is not exposed to credit risk that is significantly concentrated on any particular customer or group which it belongs to.

2) Credit risk

Carrying amounts (before allowance for doubtful accounts) of financial assets by risk classification at January 1, 2016, December 31, 2016 and December 31, 2017 were as follows:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Trade and other receivables	¥ 435,829	¥ 439,750	**¥ 396,762**
Other financial assets measured at amortized cost			
Financial assets in stage 1	63,870	53,513	**27,339**
Financial assets in stage 2	884	830	**901**
Financial assets in stage 3	3,793	3,681	**3,670**

The maximum amount of credit risk at the reporting date without considering the valuation of collateral held by the Group is represented by the carrying amount of financial assets exposed to the credit risk.

The Group collectively assesses expected credit losses on trade and other receivables and financial assets in stage 1 by multiplying the rate of credit losses in prior years by a provision rate that reflects forecasts of future economic conditions and other factors, and individually assesses expected credit losses on financial assets in stage 2 and stage 3 based on considering credit losses in prior years and forecasts of future economic conditions and other factors.

The table of changes in allowance for doubtful accounts related to the above financial assets was as follows:

(¥ millions)

	Trade and other receivables	Other financial assets measured at amortized cost		
	Allowance for doubtful accounts related to financial assets under the simplified approach	Allowance for doubtful accounts related to financial assets in stage 1	Allowance for doubtful accounts related to financial assets in stage 2	Allowance for doubtful accounts related to financial assets in stage 3
Balance at January 1, 2016	¥4,494	¥647	¥884	¥3,742
Net provision	960	(2)	(50)	(45)
Release due to settlement	(477)	-	(1)	(13)
Other	545	-	(3)	(3)
Balance at December 31, 2016	5,522	645	830	3,681
Net provision	**820**	**7**	**33**	**42**
Release due to settlement	**(270)**	**(3)**	**(13)**	**(1)**
Sale of subsidiaries	**(4,432)**	-	-	-
Other	**(141)**	-	**51**	**(53)**
Balance at December 31, 2017	**1,499**	**649**	**901**	**3,670**

The balance of guarantee obligations presented in Note 39. Contingent liabilities represents the Group's maximum credit exposure relating to those obligations. The Group has not recorded any provision for losses on guarantees which may be incurred due to performance under the guarantee obligation contracts because the amount is not expected to be material.

(4) LIQUIDITY RISK

1) Liquidity risk management

In accordance with the internal policies for managing financial risks, the Group formulates fund procurement plans based on the business plan for each year to counter liquidity risk. The Group also manages such risk by, for example, entering into commitment lines with several financial institutions and achieving an appropriate balance between direct and indirect fund procurement as well as short-term and long-term fund procurement.

2) Financial liabilities by maturity

Financial liabilities by maturity were as follows:

At January 1, 2016 (Date of transition to IFRS)

(¥ millions)

	Carrying amount	Contractual cash flow	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Trade and other payables	¥ 250,310	¥ 250,310	¥ 250,310	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds and borrowings	791,822	792,771	154,441	118,709	125,659	117,905	100,711	175,346
Derivative liabilities	4,837	4,837	1,207	279	485	721	-	2,145
Other financial liabilities (current)	65,283	65,283	65,283	-	-	-	-	-

At December 31, 2016

(¥ millions)

	Carrying amount	Contractual cash flow	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Trade and other payables	¥ 246,519	¥ 246,519	¥ 246,519	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds and borrowings	668,212	674,523	156,676	127,371	99,672	116,829	92,712	81,263
Derivative liabilities	22,702	22,702	15,741	385	627	32	-	5,918
Other financial liabilities (current)	49,934	49,934	49,934	-	-	-	-	-

At December 31, 2017

(¥ millions)

	Carrying amount	Contractual cash flow	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Trade and other payables	**¥ 224,887**	**¥ 224,887**	**¥ 224,887**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ -**
Bonds and borrowings	**486,475**	**494,127**	**123,852**	**94,116**	**112,336**	**90,639**	**20,051**	**53,133**
Derivative liabilities	**8,797**	**8,797**	**1,493**	**447**	**1,207**	**1,579**	**951**	**3,121**
Other financial liabilities (current)	**53,615**	**53,615**	**53,615**	**-**	**-**	**-**	**-**	**-**

(5) MARKET RISK MANAGEMENT

1) Foreign exchange risk management

The Group operates businesses globally and, therefore, is exposed to the risk that Group's equity is influenced by foreign exchange fluctuations as a result of transactions undertaken in currencies other than the functional currency and when financial statements of foreign operations are translated into Japanese yen and consolidated. To manage foreign exchange risk, the Group hedges such risk mainly using foreign exchange contracts and currency swaps.

The Group is exposed to foreign exchange risk primarily from the U.S. dollar and the euro (excluding the risk related to transactions undertaken in the functional currency of each Group company).

The main net exposure to foreign exchange risk of the Group was as follows (figures in parentheses indicate liability), excluding exposures hedged by derivative transactions:

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
U.S. dollar (Thousands of U.S. dollars)	(51,348)	(58,332)	**31,555**
Euro (Thousands of euro)	4,743	(2,374)	**24,791**

For the foreign currency denominated financial instruments held by the Group at the reporting date, if the Japanese yen depreciates by 10% against the U.S. dollar and the euro, the impact on profit before tax is as set out below.

The impact of translating financial instruments denominated in the functional currency, assets and liabilities of foreign operations, and income and expenses into Japanese yen is not included. In addition, other variable factors are assumed to remain constant.

(¥ millions)

	At December 31, 2016	**At December 31, 2017**
U.S. dollar	¥ (680)	**¥ 357**
Euro	(29)	**335**

2) Interest rate risk

Interest-bearing liabilities with floating interest rates are exposed to interest rate risk. For those with long-term maturities, the Group uses interest rate swaps to avoid interest rate fluctuation risk by converting floating interest into fixed interest.

If the floating interest rate of financial instruments held by the Group at the reporting date increases by 1%, the impact on profit before tax is not material.
The Group's exposure to interest rate risk is not material.

3) Price fluctuation risk
The Group is exposed to share price fluctuation risk arising from equity instruments (shares). For the equity instruments, the Group regularly assesses the fair values, the financial conditions of the issuers and other relevant factors, and continuously reviews the holding status of such instruments by taking into account the relationship with the issuer when the issuer is a customer of the Group.
If the market price of equity instruments held by the Group at the reporting date increases by 1% with other variable factors assumed to remain constant, the impact on other comprehensive income (before tax) is ¥1,551 million at December 31, 2017 (at December 31, 2016: ¥1,378 million).
The Group is exposed to price fluctuation risk of commodities, such as aluminum and sugar, but such exposure is hedged using mainly commodity swaps. If the price of aluminum and sugar changes by 1% at the reporting date, the impact on profit before tax is not material.
The Group's exposure to price fluctuation risk is not material.

In addition, the Group determines whether there is an economic relationship between the hedged item and hedging instrument based on the amount and timing of the associated cash flows and other factors. In the hedging relationships to which the Group currently applies hedge accounting, the important conditions of the hedged item and hedging instrument are consistent.

(6) DERIVATIVE TRANSACTIONS AND HEDGE ACCOUNTING
1) Derivative transactions for which hedge accounting has not been applied
Notional amount and fair value of derivative transactions for which hedge accounting has not been applied were as follows:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)		At December 31, 2016		**At December 31, 2017**	
	Notional amount	Fair value	Notional amount	Fair value	**Notional amount**	**Fair value**
Forward foreign exchange contracts	¥31,153	¥ 3,622	¥46,310	¥ (8,895)	**¥21,667**	**¥(138)**
Currency options	-	-	26,131	(2,425)	-	-
Currency swaps	168,665	20,271	180,423	15,226	**165,138**	**(5,619)**
Commodity options	-	-	6,869	35	-	-
Total	199,818	23,893	259,733	3,941	**186,805**	**(5,757)**

2) Hedge accounting
Items designated as hedging instruments were as follows:
The carrying amounts of derivatives are the amounts recorded in other financial assets or other financial liabilities in the consolidated statement of financial position. The portions due later than one year are classified into non-current assets or non-current liabilities.

At January 1, 2016 (Date of transition to IFRS)

(¥ millions)

	Notional amount		Carrying amount		Change in fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness
	Total amount	Portion due later than one year included therein	Assets	Liabilities	
Cash flow hedges					
Foreign exchange risk					
Forward foreign exchange contracts	¥46,334	¥ 4,125	¥ 1,621	¥ 525	¥855
Currency swaps	3,064	-	29	80	(51)
Interest rate risk					
Interest rate swaps	309,645	261,045	-	5,538	(723)
Commodity price risk					
Commodity swaps	53 thousand tons	5 thousand tons	93	282	(189)
Hedge of net investment in foreign operations					
Foreign exchange risk					
Currency swaps	5,658	-	-	10	5

The average rates for forward foreign exchange contracts are ¥119.23 to the U.S. dollar and ¥135.79 to the euro, and the average rate for currency swaps is ¥104.48 to the U.S. dollar. The average interest rate for interest rate swaps is 0.96%.

At December 31, 2016

(¥ millions)

	Notional amount		Carrying amount		Change in fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness
	Total amount	Portion due later than one year included therein	Assets	Liabilities	
Cash flow hedges					
Foreign exchange risk					
Forward foreign exchange contracts	¥9,070	¥ 185	¥ 398	¥ 932	¥(1,630)
Currency swaps	3,546	-	-	248	(197)
Interest rate risk					
Interest rate swaps	276,787	217,787	-	5,683	(145)
Commodity price risk					
Commodity swaps	8 thousand tons	6 thousand tons	26	-	215
Hedge of net investment in foreign operations					
Foreign exchange risk					
Currency swaps	6,825	-	78	-	88

The average rates for forward foreign exchange contracts are ¥103.14 to the U.S. dollar and ¥114.11 to the euro, and the average rate for currency swaps is ¥104.53 to the U.S. dollar. The average interest rate for interest rate swaps is 0.89%.

At December 31, 2017

(¥ millions)

	Notional amount		Carrying amount		Change in fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness
	Total amount	Portion due later than one year included therein	Assets	Liabilities	
Cash flow hedges					
Foreign exchange risk					
Forward foreign exchange contracts	**¥71,244**	**¥ -**	**¥ 183**	**¥ 298**	**¥419**
Currency swaps	-	-	-	-	**248**
Interest rate risk					
Interest rate swaps	**214,796**	**184,796**	-	**2,622**	**3,061**
Commodity price risk					
Commodity swaps	**25 thousand tons**	**25 thousand tons**	**80**	**121**	**(67)**
Hedge of net investment in foreign operations					
Foreign exchange risk					
Currency swaps	**8,381**	-	**1**	**0**	**(77)**

The average rates for forward foreign exchange contracts are ¥109.88 to the U.S. dollar and ¥131.41 to the euro, and the average rate for currency swaps is ¥116.31 to the U.S. dollar. The average interest rate for interest rate swaps is 0.94%.

The impact on the consolidated statement of comprehensive income as a result of applying hedge accounting was as follows:
Year ended December 31, 2016

(¥ millions)

	Change in the value of hedging instruments recognized in other comprehensive income	Amount reclassified to profit or loss for cash flow hedges	Line item in profit or loss affected by the reclassification
Cash flow hedges			
Foreign exchange risk	¥ (2,195)	¥ (836)	Finance costs
Interest rate risk	(145)	833	Finance costs
Commodity price risk	215	-	-
Hedge of net investment in foreign operations			
Foreign exchange risk	88	-	-

The amount of hedge ineffectiveness recognized in profit or loss was not material.

Year ended December 31, 2017

(¥ millions)

	Change in the value of hedging instruments recognized in other comprehensive income	Amount reclassified to profit or loss for cash flow hedges	Line item in profit or loss affected by the reclassification
Cash flow hedges			
Foreign exchange risk	**¥ 601**	**¥ 263**	**Finance costs**
Interest rate risk	**3,061**	**(44)**	**Finance costs**
Commodity price risk	**(67)**	-	-
Hedge of net investment in foreign operations			
Foreign exchange risk	**(77)**	-	-

The amount of hedge ineffectiveness recognized in profit or loss was not material.

(7) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy of financial instruments is categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value determined, either directly or indirectly, using observable prices other than Level 1

Level 3: Fair value determined using valuation techniques including inputs not based on observable market data

Transfers between the levels of the fair value hierarchy are recognized as if they have occurred at the end of the reporting period.

1) Methods of fair value measurement

The method of fair value measurement for each financial instrument is as follows:

Long-term borrowings: The fair value of long-term borrowings is determined as the present value calculated by discounting the combined total of principal and interest with an assumed interest rate for similar new borrowings.

Bonds: The fair value of bonds is determined as the present value calculated by discounting the combined total of principal and interest with an interest rate that reflects the current maturity and credit risk.

Derivatives: The fair value of derivatives is based on prices determined from market data, such as exchange rates and interest rates, by the counterparty financial institutions and other parties.

Shares: The fair value of listed shares is determined based on quoted market prices. The fair value of unlisted shares is determined using valuation techniques based on market prices of similar entities.

2) Financial instruments measured at amortized cost

The carrying amount and fair value of financial instruments measured at amortized cost by level in the fair value hierarchy were as follows:

At January 1, 2016 (Date of transition to IFRS)

(¥ millions)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term borrowings (Note)	¥ 529,154	¥ -	¥ -	¥ 509,211	¥ 509,211
Bonds (Note)	224,614	-	234,172	-	234,172

At December 31, 2016

(¥ millions)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term borrowings (Note)	¥ 408,866	¥ -	¥ -	¥ 411,921	¥ 411,921
Bonds (Note)	194,719	-	202,082	-	202,082

At December 31, 2017

(¥ millions)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term borrowings (Note)	**¥ 287,855**	**¥ -**	**¥ -**	**¥ 295,483**	**¥ 295,483**
Bonds (Note)	**194,805**	**-**	**199,269**	**-**	**199,269**

Note: The balance due within one year is included.

The carrying amount of short-term financial assets and liabilities measured at amortized cost is approximately equal to the fair value.

3) Financial instruments measured at fair value

The level in the fair value hierarchy of financial instruments measured at fair value was as follows:

At January 1, 2016 (Date of transition to IFRS)

(¥ millions)

	Fair value			
	Level 1	Level 2	Level 3 (Note)	Total
Assets:				
Derivative assets	¥ -	¥ 24,038	¥ -	¥ 24,038
Shares	157,895	-	25,266	183,162
Other	-	277	-	277
Total	157,895	24,315	25,266	207,477
Liabilities:				
Derivative liabilities	-	4,837	-	4,837
Total	-	4,837	-	4,837

At December 31, 2016

(¥ millions)

	Fair value			
	Level 1	Level 2	Level 3 (Note)	Total
Assets:				
Derivative assets	¥ -	¥ 20,282	¥ -	¥ 20,282
Shares	137,812	-	25,882	163,694
Other	-	245	-	245
Total	137,812	20,527	25,882	184,220
Liabilities:				
Derivative liabilities	-	22,702	-	22,702
Total	-	22,702	-	22,702

At December 31, 2017

(¥ millions)

	Fair value			
	Level 1	Level 2	Level 3 (Note)	Total
Assets:				
Derivative assets	**¥ -**	**¥ 262**	**¥ -**	**¥ 262**
Shares	**155,067**	**-**	**29,667**	**184,734**
Other	**-**	**211**	**-**	**211**
Total	**155,067**	**473**	**29,667**	**185,207**
Liabilities:				
Derivative liabilities	**-**	**8,797**	**-**	**8,797**
Total	**-**	**8,797**	**-**	**8,797**

There were no transfers between Level 1 and Level 2 at January 1, 2016, December 31, 2016 and December 31, 2017.

Note: The measurement of fair value of financial instruments in Level 3 is conducted in accordance with the relevant internal policy, using valuation techniques and inputs that most appropriately reflect their nature, characteristics and risks.

The significant unobservable inputs associated with the fair value measurement of financial instruments which are measured at fair value on a recurring basis and are categorized in Level 3 are operating margin and illiquidity discount. The fair value increases (decreases) with higher (lower) operating margin and decreases (increases) with higher (lower) illiquidity discount.

Changes in the fair value of financial instruments categorized in Level 3 are not material if the unobservable inputs are replaced by reasonable alternative assumptions.

Changes in financial instruments categorized in Level 3 were as follows:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Balance at January 1	¥25,266	**¥25,882**
Total gains and losses	1,044	**3,025**
Other comprehensive income (Note 1)	1,044	**3,025**
Purchases	967	**471**
Sales	(328)	**(632)**
Transfers from Level 3 (Note 2)	(904)	**-**
Other	(163)	**921**
Balance at December 31	25,882	**29,667**

Notes:

1. Gains and losses included in other comprehensive income are related to equity instruments measured at fair value through comprehensive income at the reporting date. These gains and losses are included in net change in equity instruments measured at fair value through other comprehensive income.
2. Transfers from Level 3 are due to the listing of shares held.

33. RELATED PARTIES

(1) TRANSACTIONS WITH RELATED PARTIES

There are no material related party transactions.

(2) KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation was as follows:

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Short-term employee benefits	¥521	¥559
Share-based payments	-	139
Total	521	698

34. LIST OF SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

At December 31, 2016

Name	Location	Ratio of voting rights (%)
KIRIN Company, Limited	Nakano-ku, Tokyo	100.0
Kirin Brewery Company, Limited	Nakano-ku, Tokyo	100.0 (100.0)
Kirin Beer Marketing Company, Limited	Nakano-ku, Tokyo	100.0 (100.0)
Mercian Corporation	Nakano-ku, Tokyo	100.0 (100.0)
Kirin Beverage Company, Limited	Chiyoda-ku, Tokyo	100.0 (100.0)
Kirin Beverage Value Vendor Company, Limited	Chiyoda-ku, Tokyo	100.0 (100.0)
Eishogen Company, Limited	Nakano-ku, Tokyo	99.9 (99.9)
Kirin Distillery Company, Limited	Gotemba-shi, Shizuoka	100.0 (100.0)
Kirin City Company, Limited	Nakano-ku, Tokyo	100.0 (100.0)
Spring Valley Brewery Company	Shibuya-ku, Tokyo	100.0 (100.0)
Kirin (China) Investment Company, Limited	Shanghai, China	100.0
Kirin Brewery (Zhuhai) Company, Limited	Guangdong, China	100.0 (100.0)
Taiwan Kirin Company, Limited	Taipei, Taiwan	100.0 (100.0)
Kirin Europe GmbH	Dusseldorf, Germany	100.0 (100.0)
Kirin Brewery of America, LLC	California, USA	100.0 (100.0)
Four Roses Distillery, LLC	Kentucky, USA	100.0 (100.0)
Lion Pty Limited	New South Wales, Australia	100.0
Lion Nathan Pty Limited	New South Wales, Australia	100.0 (100.0)
Lion-Dairy & Drinks Pty Ltd	Victoria, Australia	100.0 (100.0)
Kirin Foods Australia Holdings Pty Ltd	New South Wales, Australia	100.0 (100.0)
Berri Pty Limited	Victoria, Australia	100.0 (100.0)
Castlemaine Perkins Pty Limited	Queensland, Australia	100.0 (100.0)

Name	Location	Ratio of voting rights (%)
Lion-Beer, Spirits & Wine Pty Limited	New South Wales, Australia	100.0 (100.0)
Lion Nathan Enterprises Pty Limited	New South Wales, Australia	100.0 (100.0)
Lion-Beer, Spirits & Wine (NZ) Limited	Auckland, New Zealand	100.0 (100.0)
Great Northern Developments Limited	Auckland, New Zealand	100.0 (100.0)
Lion Nathan Brewing Investments Pty Limited	New South Wales, Australia	100.0 (100.0)
J. Boag & Son Holdings Pty Ltd	Tasmania, Australia	100.0 (100.0)
Brasil Kirin Holding S.A.	Sao Paulo, Brazil	100.0
Brasil Kirin Participacoes e Representacoes Ltda.	Sao Paulo, Brazil	100.0 (100.0)
Brasil Kirin Industria de Bebidas Ltda.	Sao Paulo, Brazil	100.0 (100.0)
Brasil Kirin Bebidas Ltda.	Rio de Janeiro, Brazil	100.0 (100.0)
Kirin Holdings Singapore Pte. Ltd.	Singapore	100.0
Interfood Shareholding Company	Dong Nai, Vietnam	95.7 (95.7)
The Coca-Cola Bottling Company of Northern New England, Inc.	New Hampshire, USA	100.0
Myanmar Brewery Limited	Yangon, Myanmar	55.0 (55.0)
AZUMA KIRIN Indústria Comércio de Bebidas e Alimenos Ltda	Sao Paulo, Brazil	100.0
Kyowa Hakko Kirin Company, Limited	Chiyoda-ku, Tokyo	52.8
Kyowa Hakko Bio Company, Limited	Chiyoda-ku, Tokyo	100.0 (100.0)
Koiwai Dairy Products Company, Limited	Nakano-ku, Tokyo	99.9
Yokohama Arena Company, Limited	Kohoku-ku, Yokohama	58.8
Other 145 companies	-	-

At December 31, 2017

Name	Location	Ratio of voting rights (%)
KIRIN Company, Limited	Nakano-ku, Tokyo	**100.0**
Kirin Brewery Company, Limited	Nakano-ku, Tokyo	**100.0 (100.0)**
Mercian Corporation	Nakano-ku, Tokyo	**100.0 (100.0)**
Kirin Beverage Company, Limited	Chiyoda-ku, Tokyo	**100.0 (100.0)**
Kirin Beverage Value Vendor Company, Limited	Chiyoda-ku, Tokyo	**100.0 (100.0)**
Eishogen Company, Limited	Nakano-ku, Tokyo	**99.9 (99.9)**
Kirin Distillery Company, Limited	Gotemba-shi, Shizuoka	**100.0 (100.0)**
Kirin City Company, Limited	Nakano-ku, Tokyo	**100.0 (100.0)**
Spring Valley Brewery Company	Shibuya-ku, Tokyo	**100.0 (100.0)**
Kirin (China) Investment Company, Limited	Shanghai, China	**100.0**
Kirin Brewery (Zhuhai) Company, Limited	Guangdong, China	**100.0 (100.0)**
Taiwan Kirin Company, Limited	Taipei, Taiwan	**100.0 (100.0)**
Kirin Europe GmbH	Dusseldorf, Germany	**100.0 (100.0)**
Kirin Brewery of America, LLC	California, USA	**100.0 (100.0)**
Four Roses Distillery, LLC	Kentucky, USA	**100.0 (100.0)**
Lion Pty Limited	New South Wales, Australia	**100.0**
Lion Nathan Pty Limited	New South Wales, Australia	**100.0 (100.0)**
Lion-Dairy & Drinks Pty Ltd	Victoria, Australia	**100.0 (100.0)**
Kirin Foods Australia Holdings Pty Ltd	New South Wales, Australia	**100.0 (100.0)**
Berri Pty Limited	Victoria, Australia	**100.0 (100.0)**
Castlemaine Perkins Pty Limited	Queensland, Australia	**100.0 (100.0)**
Lion-Beer, Spirits & Wine Pty Limited	New South Wales, Australia	**100.0 (100.0)**
Lion-Beer, Spirits & Wine (NZ) Limited	Auckland, New Zealand	**100.0 (100.0)**
Great Northern Developments Limited	Auckland, New Zealand	**100.0 (100.0)**
Lion Nathan Brewing Investments Pty Limited	New South Wales, Australia	**100.0 (100.0)**
J. Boag & Son Holdings Pty Ltd	Tasmania, Australia	**100.0 (100.0)**
Kirin Holdings Singapore Pte. Ltd.	Singapore	**100.0**
Interfood Shareholding Company	Dong Nai, Vietnam	**95.7 (95.7)**
The Coca-Cola Bottling Company of Northern New England, Inc.	New Hampshire, USA	**100.0**
Myanmar Brewery Limited	Yangon, Myanmar	**51.0 (51.0)**
Mandalay Brewery Limited	Mandalay, Myanmar	**51.0 (51.0)**

Name	Location	Ratio of voting rights (%)
AZUMA KIRIN Indústria Comércio de Bebidas e Alimenos Ltda	Sao Paulo, Brazil	**100.0**
Kyowa Hakko Kirin Company, Limited	Chiyoda-ku, Tokyo	**52.8**
Kyowa Hakko Bio Company, Limited	Chiyoda-ku, Tokyo	**100.0** **(100.0)**
Koiwai Dairy Products Company, Limited	Nakano-ku, Tokyo	**99.9**
Other 135 companies	-	-

* Figures in parentheses in ratio of voting rights represent ratio of indirect ownership.

35. NON-CONTROLLING INTERESTS

Financial information before any intra-group eliminations for the Group's subsidiary, Kyowa Hakko Kirin Company, Limited, which has material non-controlling interests, is summarized as follows:

1) General information

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Non-controlling interests ratio	47.22%	47.22%	**47.23%**
Accumulated amount of non-controlling interests (¥ millions)	222,488	222,241	**241,462**

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Profit or loss allocated to non-controlling interests	¥14,379	**¥20,925**
Dividends to non-controlling interests	6,460	**6,461**

2) Summarized financial information

(1) SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Total non-current assets	¥ 344,334	¥ 332,091	**¥ 324,225**
Total current assets	312,383	314,999	**347,015**
Total equity	541,059	540,326	**579,321**
Total non-current liabilities	22,458	18,693	**13,511**
Total current liabilities	93,200	88,072	**78,409**

(2) SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Revenue	¥ 348,709	**¥ 354,164**
Profit	30,450	**42,878**

(3) SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Other comprehensive income	¥ (17,627)	**¥ 9,577**
Total comprehensive income	12,824	**52,455**

(4) SUMMARY OF CONSOLIDATED STATEMENT OF CASH FLOWS

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Net cash flows from operating activities	¥ 66,881	**¥ 64,902**
Net cash flows from investing activities	(49,824)	**(45,265)**
Net cash flows from financing activities	(13,871)	**(18,287)**

36. EQUITY-ACCOUNTED INVESTEES

Carrying amounts of equity-accounted investees were as follows:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Joint ventures	¥ 60,855	¥ 62,586	**¥ 2,543**
Associates	190,574	191,576	**208,237**
Total	251,429	254,162	**210,780**

1) Material associates

The Group's material associate is San Miguel Brewery Inc. ("San Miguel") (reporting date: September 30). San Miguel conducts production and sale of beer mainly in the Philippines. The Group will continue enhancing its business base in the growing Southeast Asian beer market in order to develop the business as its growth driver.

The following table reconciles summarized financial information of San Miguel to the carrying amounts of the Group's equity interests. Items in the statement of financial position are based on financial information at September 30, and items in the statements of profit or loss and comprehensive income are based on financial information for the 12-month reporting period of San Miguel ended September 30.

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Percentage ownership interest	48.55%	48.55%	**48.55%**
Total non-current assets	170,598	142,179	**155,234**
Total current assets	52,827	57,166	**73,072**
Total non-current liabilities	104,208	78,279	**80,715**
Total current liabilities	22,843	27,755	**26,471**
Equity	96,374	93,310	**121,120**
Non-controlling interests	6,298	5,938	**6,982**
Equity after deduction of non-controlling interests	90,076	87,372	**114,138**
Equity attributable to the Group	43,732	42,419	**55,414**
Goodwill and consolidation adjustments	81,819	81,634	**81,685**
Carrying amount of equity	125,551	124,054	**137,099**

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Revenue	¥ 221,059	**¥ 243,080**
Profit or loss from continuing operations	39,315	**44,460**
Equity attributable to owners of the parent	38,425	**43,340**
Non-controlling interests	890	**1,120**
Other comprehensive income	(17,690)	**8,003**
Equity attributable to owners of the parent	(17,690)	**8,003**
Non-controlling interests	-	**-**
Total comprehensive income	21,625	**52,463**
Equity attributable to owners of the parent	20,734	**51,343**
Non-controlling interests	890	**1,120**
Share of:		
Profit or loss from continuing operations	18,655	**21,041**
Other comprehensive income	(8,589)	**3,886**
Total comprehensive income	10,067	**24,927**
Goodwill and consolidation adjustments	(185)	**51**
Total share of the Group	9,882	**24,978**
Dividends received by the Group	11,379	**11,932**

2) Individually immaterial joint ventures and associates

Carrying amounts of the Group's equity interests in individually immaterial joint ventures and associates were as follows:

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016	**At December 31, 2017**
Joint ventures	¥ 60,855	¥ 62,586	**¥ 2,543**
Associates	65,022	67,522	**71,138**
Total	125,877	130,108	**73,680**

The Group's shares of profit or loss from continuing operations, other comprehensive income and total comprehensive income in individually immaterial joint ventures and associates were as follows:

(a) Individually immaterial joint ventures

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Share of:		
Profit or loss from continuing operations	¥ (5,886)	**¥ (4,104)**
Other comprehensive income	(1,515)	**(32)**
Total comprehensive income	(7,401)	**(4,135)**

Note: The above table does not include joint ventures classified as assets held for sale.

(b) Individually immaterial associates

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Share of:		
Profit or loss from continuing operations	¥ 4,157	**¥ 3,733**
Other comprehensive income	(11,988)	**5,994**
Total comprehensive income	(7,831)	**9,727**

37. COMMITMENTS

Commitments for asset acquisitions after the reporting date were as follows:

(¥ millions)

	At December 31, 2016	**At December 31, 2017**
Acquisition of property, plant and equipment	¥ 32,047	**¥ 30,679**
Acquisition of intangible assets	119,684	**93,515**
Total	151,731	**124,194**

Note: The above amounts for acquisition of intangible assets include the maximum amount of milestone payments for the achievement of development and sales goals relating to in-licensing contracts for development of products in the Pharmaceuticals and Bio-chemicals Business. The actual payments may be significantly different from the above amounts because it is highly uncertain whether a milestone will be achieved.

38. DISCONTINUED OPERATIONS

(1) SUMMARY OF DISCONTINUED OPERATIONS

The Group transferred all of its shares in Brasil Kirin Holding S.A. to Bavaria S.A. (a subsidiary of Heineken International B.V.) on May 31, 2017. In accordance with the "Kirin Group 2016-2018 Medium-Term Business Plan" announced on February 15, 2016, Brasil Kirin Holding S.A. focused on improving profitability through self-revitalization as the first priority and achieved certain results. Meanwhile, in consideration of such factors as various risks associated with the Brazilian economy, the stagnation in the beer and non-alcoholic beverages markets and competitive environment, the Company reached a conclusion that Brasil Kirin Holding S.A. has its limits in independently transforming itself into a stable and highly profitable business, and therefore decided to transfer the shares to Bavaria S.A., which also develops the beer business in Brazil, based on the judgment that it would be beneficial for the future development of Brasil Kirin Holding S.A.
Accordingly, profit or loss and cash flows relating to Brasil Kirin Holding S.A. in the Other Overseas Integrated Beverages Business are classified as a discontinued operation.

(2) PROFIT OR LOSS FROM DISCONTINUED OPERATIONS

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Revenue	¥ 117,962	**¥ 51,626**
Cost of sales	80,964	**30,141**
Gross profit	36,998	**21,485**
Selling, general and administrative expenses	39,408	**22,984**
Other operating income (Note 1)	15,982	**33,452**
Other operating expenses	3,945	**3,101**
Operating profit	9,628	**28,852**
Finance income	3,257	**1,632**
Finance costs	9,002	**10,706**
Profit before tax	3,883	**19,778**
Income tax expense (Note 2)	(4,307)	**(65,202)**
Profit from discontinued operations	8,190	**84,980**
Profit from discontinued operations attributable to		
Owners of the Company	8,190	**84,980**
Non-controlling interests	-	**-**
Profit from discontinued operations	8,190	**84,980**

Notes:

1. The amount for the year ended December 31, 2017 includes ¥33,237 million in gain on sale from the transfer of Brasil Kirin Holding S.A.
2. The amount for the year ended December 31, 2017 includes ¥(59,962) million in income tax expense related to the transfer of Brasil Kirin Holding S.A.

(3) CASH FLOWS FROM DISCONTINUED OPERATIONS

(¥ millions)

	Year ended December 31, 2016	**Year ended December 31, 2017**
Net cash flows from operating activities	¥ (7,260)	**¥ 10,732**
Net cash flows from investing activities	(4,174)	**66,900**
Net cash flows from financing activities	(1,990)	**(2,831)**

Note: Net cash flows from investing activities for the year ended December 31, 2017 include ¥67,332 million in proceeds from sale of shares in Brasil Kirin Holding S.A.

39. CONTINGENT LIABILITIES

Guarantee obligations

Guarantee obligations consisted of the following:

(1) GUARANTEES FOR LOAN OBLIGATIONS OF ASSOCIATES AND OTHER COMPANIES AND LOAN OBLIGATIONS OF EMPLOYEES

(¥ millions)

	At December 31, 2016	**At December 31, 2017**
Loan obligations of associates and other companies	¥ 477	**¥ 66**
Loan obligations of employees	872	**633**
Total	1,349	**699**

(2) GUARANTEES FOR LOAN OBLIGATIONS OF CUSTOMERS

(¥ millions)

	At December 31, 2016	**At December 31, 2017**
Southeastern Container, Inc.	¥ 1,293	**¥ -**
Total	1,293	-

40. SUBSEQUENT EVENTS

(1) TRANSFER OF SHARES OF KIRIN-AMGEN, INC.

The Company and Amgen Inc. agreed upon the termination of the shareholders' agreement governing the joint venture between the Company and Amgen Inc., KIRIN-AMGEN, INC., aiming at research and development of pharmaceutical products, etc. ("the Agreement") on October 31, 2017. Accordingly, the Company transferred all the shares of KIRIN AMGEN, INC. on January 29, 2018 (Acquisition of Treasury stock by KIRIN AMGEN, INC.).

1. Reason for the share transfer

In 1984, the Company and Amgen Inc. executed a shareholders' agreement governing the establishment of a U.S. company aimed at research and development of pharmaceutical products and related activities, and founded KIRIN-AMGEN, INC. as a 50:50 joint venture. From the establishment until now, the Agreement has achieved great success. In the meantime, the environment surrounding the Group and Amgen Inc. has changed, while Kyowa Hakko Kirin Company, Limited was established in 2008 as a strategic alliance between the Company and former Kyowa Hakko Kogyo Company, Limited. Now both parties to the joint venture share a common perception that KIRIN-AMGEN, INC. has almost fully completed its expected role, and agreed on the termination of the shareholders' agreement and the redemption of the Company's ownership stake.

2. Name of the company to which the shares are transferred

KIRIN-AMGEN, INC.

3. Name of the jointly controlled company, description of business and details of transactions with the Group

Name	KIRIN-AMGEN, INC.
Description of business	Research, development, and licensing of pharmaceuticals
Details of transactions with the Group	Activities for research and development of pharmaceuticals as a joint venture with Amgen Inc.

4. Timing of transfer

January 29, 2018

5. Number of shares to be transferred, transfer price, gains or losses resulting from the transfer and the status of shares held after the transfer

Number of shares held before the transfer	500 shares (Ratio of shares held: 50%)
Number of shares to be transferred	500 shares (Ratio of shares held: 50%)
Number of shares held after the transfer	0 shares (Ratio of shares held: 0%)
Transfer price (Consideration of Cash)	USD780 million (¥86,443 million)
Gains or losses resulting from the transfer	Gain of ¥19,785 million

(2) ACQUISITION OF THE COMPANY'S TREASURY STOCK

At the Board Meeting held on February 14, 2018, the Company passed a resolution to acquire the Company's treasury stock in accordance with the provisions of Article 156 applied with certain replacement of terms pursuant to Article 165, Paragraph 3 of the Companies Act.

1. Reason for acquisition

Further enhancement of shareholders' returns

2. Details of the acquisition

(1) Type of shares	Ordinary shares of the Company
(2) Number of shares to be acquired	50,000,000 shares (Maximum) (equivalent to 5.5% of total ordinary shares issued and outstanding, excluding treasury shares)
(3) Total cost of acquisition	¥100,000 million (Maximum)
(4) Acquisition period	February 15, 2018 to December 28, 2018

41. FIRST-TIME ADOPTION

The Group adopted IFRS from the year ended December 31, 2017, and the date of transition to IFRS was January 1, 2016.

IFRS 1 exemptions
IFRS requires that, in principle, first-time adopters of IFRS retrospectively apply the requirements of IFRS. However, IFRS 1 provides exemptions that can be voluntarily applied to part of the requirements of IFRS. The Group has applied IFRS 1 in preparing the consolidated financial statements. The effects of applying IFRS were adjusted in retained earnings or reserves at the date of transition to IFRS. The main optional exemptions under IFRS 1 that the Group elected to apply were as follows:

・Business Combinations
IFRS 1 permits entities to elect not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before the date of transition to IFRS. The Group chose not to retrospectively apply IFRS 3 to business combinations carried out prior to the transition date. Therefore, the goodwill arising in business combinations prior to the date of transition were recognized at the carrying amount under Japanese GAAP. The Group has conducted impairment tests on the goodwill at the date of transition regardless of whether there was an indication of impairment.

・Deemed cost
IFRS 1 permits to use the fair value of property, plant and equipment at the date of transition to IFRS as its deemed cost. The Group has used the fair value of certain property, plant and equipment on the transition date to IFRS as its deemed cost.

・Foreign currency translation differences on foreign operations
Under IFRS 1, the balance of all foreign currency translation differences on foreign operations can be deemed as zero at the date of transition. The Group has opted to treat all foreign currency translation differences on foreign operations as zero.

Mandatory exceptions to the retrospective application under IFRS 1
IFRS 1 prohibits retrospective application of IFRS for certain items including estimates, derecognition of financial assets and financial liabilities, non-controlling interests and classification and measurement of financial assets. The Group has applied IFRS to these items prospectively from the date of transition to IFRS.

Reconciliations
The Group made adjustments to the consolidated financial statements prepared in conformity with Japanese GAAP when preparing the consolidated financial statements in conformity with IFRS.

The effects of the transition from Japanese GAAP to IFRS on the consolidated financial position, operating results and cash flows were as follows:

Reconciliation of equity at the date of transition to IFRS (January 1, 2016)

(¥ millions)

Japanese GAAP (line item)	Japanese GAAP	Unification of reporting periods (a)	Reclassifi-cations	Difference in recognition and measurement	IFRS	Note	IFRS (line item)
Assets							Assets
Non-current assets							Non-current assets
Property, plant and equipment	¥ 711,764	¥ 7,774	¥ -	¥ (86,377)	¥ 633,161	(b)	Property, plant and equipment
Intangible assets(Goodwill)	269,215	4,349	-	(1,584)	271,980	(c)	Goodwill
Intangible assets(Other)	189,331	(743)	-	18,120	206,708	(c) (d)	Intangible assets
Investment securities	408,889	404	(186,197)	31,455	254,550	(e) (f)	Other financial assets
	-	-	237,583	13,845	251,429	(f)	Equity-accounted investees
Net defined benefit asset	9,891	17	(9,909)	-	-	(g)	
Deferred tax assets	27,098	220	25,727	10,654	63,699	(h)	Deferred tax assets
Other	50,969	(149)	(29,502)	(1,224)	20,095	(e)	Other non-current assets
Allowance for doubtful accounts	(5,318)	(33)	5,350	-	-	(i)	
Total non-current assets	1,661,839	11,840	43,054	(15,111)	1,701,621		Total non-current assets
Current assets							Current assets
Merchandise and finished goods	153,901	(808)	74,592	772	228,458	(j)	Inventories
Work in process	25,482	605	(26,087)	-	-	(j)	
Raw materials and supplies	48,344	161	(48,505)	-	-	(j)	
Notes and accounts receivable, trade	397,692	20,995	13,100	(451)	431,335	(k)	Trade and other receivables
Deferred tax assets	29,396	(3,669)	(25,727)	-	-	(h)	
Other	65,134	(3,444)	(27,616)	(1,122)	32,951	(e) (k)	Other current assets
	-	-	16,211	(10)	16,201	(e)	Other financial assets
Allowance for doubtful accounts	(4,480)	36	4,444	-	-	(i)	
Cash and time deposits	66,465	19,404	(6,129)	-	79,740	(e)	Cash and cash equivalents
Total current assets	781,934	33,280	(25,718)	(811)	788,685		Total current assets
Total assets	¥ 2,443,773	¥ 45,120	¥ 17,336	¥ (15,923)	¥ 2,490,306		Total assets

(¥ millions)

Japanese GAAP (line item)	Japanese GAAP	Unification of reporting periods (a)	Reclassifi-cations	Difference in recognition and measurement	IFRS	Note	IFRS (line item)
Net assets							Equity
Common stock	¥ 102,046	¥ -	¥ -	¥ -	¥ 102,046		Share capital
Capital surplus	-	-	-	-	-		Share premium
Retained earnings	545,712	11,341	-	(72,181)	484,872	(l)	Retained earnings
Treasury stock, at cost	(2,104)	-	-	-	(2,104)		Treasury shares
Total accumulated other comprehensive income	18,189	14,747	-	27,629	60,565	(m)	Reserves
Subscription rights to shares	431	-	(431)	-	-		
Non-controlling interests	273,810	(3,506)	431	(15,872)	254,864		Non-controlling interests
Total net assets	938,084	22,583	-	(60,424)	900,243		Total equity
Liabilities							Liabilities
Non-current liabilities							Non-current liabilities
Bonds	194,991	-	421,400	21,037	637,429	(e)	Bonds and borrowings
Long-term debt	403,953	17,447	(421,400)	-	-	(e)	
Deposits received	56,701	-	32,742	6,149	95,593	(e)	Other financial liabilities
Net defined benefit liability	59,034	-	114	8,366	67,515	(g)	Defined benefit liability
Reserves	25,465	-	21,286	(2,615)	44,136	(n)	Provisions
Other	42,564	14	(36,806)	12,537	18,308	(e) (o)	Other non-current liabilities
Deferred tax liabilities	57,067	4,711	27	(15,119)	46,686	(h)	Deferred tax liabilities
Total non-current liabilities	839,775	22,172	17,363	30,356	909,666		Total non-current liabilities
Current liabilities							Current liabilities
Bonds due within one year	30,000	-	124,441	(48)	154,393	(e)	Bonds and borrowings
Short-term loans payable and long-term debt with current maturities	128,161	(3,719)	(124,441)	-	-	(e)	
Notes and accounts payable, trade	142,053	(1,779)	109,162	875	250,310	(p)	Trade and other payables
Liquor taxes payable	84,904	1,116	(86,020)	-	-	(o)	
Accrued expenses	120,476	5,550	(126,026)	-	-	(o) (p)	
Income taxes payable	20,282	(1,864)	(1,131)	-	17,286		Current tax liabilities
Allowances	5,549	-	(3,955)	-	1,594	(n)	Provisions
Other	134,490	1,063	42,278	12,494	190,325	(e) (o)	Other current liabilities
	-	-	65,665	825	66,490	(e)	Other financial liabilities
Total current liabilities	665,914	366	(27)	14,145	680,397		Total current liabilities
Total liabilities	1,505,689	22,537	17,336	44,501	1,590,063		Total liabilities
Total liabilities and net assets	¥ 2,443,773	¥ 45,120	¥ 17,336	¥ (15,923)	¥ 2,490,306		Total equity and liabilities

Reconciliation of equity at December 31, 2016

(¥ millions)

Japanese GAAP (line item)	Japanese GAAP	Unification of reporting periods (a)	Reclassifi-cations	Difference in recognition and measurement	IFRS	Note	IFRS (line item)
Assets							Assets
Non-current assets							Non-current assets
Property, plant and equipment	¥ 705,204	¥ 16,834	¥ -	¥ (83,843)	¥ 638,195	(b)	Property, plant and equipment
Intangible assets(Goodwill)	228,983	7,295	-	20,755	257,033	(c)	Goodwill
Intangible assets(Other)	172,927	3,669	-	27,328	203,924	(c) (d)	Intangible assets
Investment securities	396,057	927	(182,094)	(4,647)	210,243	(e) (f)	Other financial assets
	-	-	229,120	25,041	254,162	(f)	Equity-accounted investees
Net defined benefit asset	9,432	-	(9,432)	-	-	(g)	
Deferred tax assets	30,830	(402)	26,889	15,509	72,826	(h)	Deferred tax assets
Other	61,800	748	(41,111)	(3,505)	17,932	(e)	Other non-current assets
Allowance for doubtful accounts	(5,216)	(2)	5,218	-	-	(i)	
Total non-current assets	1,600,019	29,068	28,590	(3,363)	1,654,315		Total non-current assets
Current assets							Current assets
Merchandise and finished goods	135,335	(1,842)	70,956	741	205,190	(j)	Inventories
Work in process	25,229	(3,478)	(21,752)	-	-	(j)	
Raw materials and supplies	47,045	2,159	(49,204)	-	-	(j)	
Notes and accounts receivable, trade	393,500	14,959	26,759	(989)	434,229	(k)	Trade and other receivables
Deferred tax assets	30,180	(3,291)	(26,889)	-	-	(h)	
Other	63,313	485	(27,539)	(514)	35,747	(e) (k)	Other current assets
	-	-	7,435	19,411	26,847	(e)	Other financial assets
Allowance for doubtful accounts	(5,445)	(78)	5,523	-	-	(i)	
Cash and time deposits	58,991	8,773	(1,265)	-	66,499	(e)	Cash and cash equivalents
Total current assets	748,148	17,688	(15,976)	18,650	768,511		Total current assets
Total assets	¥ 2,348,167	¥ 46,756	¥ 12,615	¥ 15,287	¥ 2,422,825		Total assets

(¥ millions)

Japanese GAAP (line item)	Japanese GAAP	Unification of reporting periods (a)	Reclassifi-cations	Difference in recognition and measurement	IFRS	Note	IFRS (line item)
Net assets							Equity
Common stock	¥ 102,046	¥ -	¥ -	¥ -	¥ 102,046		Share capital
Capital surplus	2	-	-	-	2		Share premium
Retained earnings	629,024	7,655	-	(39,041)	597,638	(l)	Retained earnings
Treasury stock, at cost	(2,127)	-	-	-	(2,127)		Treasury shares
Total accumulated other comprehensive income	(48,283)	34,460	-	22,388	8,565	(m)	Reserves
Subscription rights to shares	563	-	(563)	-	-		
Non-controlling interests	264,859	1,058	563	(13,417)	253,064		Non-controlling interests
Total net assets	946,084	43,174	-	(30,070)	959,188		Total equity
Liabilities							Liabilities
Non-current liabilities							Non-current liabilities
Bonds	194,994	-	318,742	(2,200)	511,536	(e)	Bonds and borrowings
Long-term debt	318,712	29	(318,742)	-	-	(e)	
Deposits received	55,491	-	27,168	10,605	93,265	(e)	Other financial liabilities
Net defined benefit liability	67,391	-	120	7,288	74,799	(g)	Defined benefit liability
Reserves	27,421	-	16,658	(3,269)	40,811	(n)	Provisions
Other	37,236	78	(31,332)	8,438	14,421	(e) (o)	Other non-current liabilities
Deferred tax liabilities	50,455	1,719	682	(9,513)	43,342	(h)	Deferred tax liabilities
Total non-current liabilities	751,701	1,827	13,297	11,350	778,174		Total non-current liabilities
Current liabilities							Current liabilities
Commercial paper	45,000	-	92,110	19,566	156,676	(e)	Bonds and borrowings
Short-term loans payable and long-term debt with current maturities	89,935	2,175	(92,110)	-	-	(e)	
Notes and accounts payable, trade	135,801	(3,732)	114,320	130	246,519	(p)	Trade and other payables
Liquor taxes payable	80,514	137	(80,651)	-	-	(o)	
Accrued expenses	119,154	3,589	(122,743)	-	-	(o) (p)	
Income taxes payable	21,163	(2,363)	(1,760)	-	17,039		Current tax liabilities
Allowances	8,140	-	(7,135)	-	1,005	(n)	Provisions
Other	150,675	1,949	32,170	13,755	198,550	(e) (o)	Other current liabilities
	-	-	65,118	557	65,675	(e)	Other financial liabilities
Total current liabilities	650,382	1,756	(682)	34,008	685,464		Total current liabilities
Total liabilities	1,402,083	3,583	12,615	45,357	1,463,638		Total liabilities
Total liabilities and net assets	¥ 2,348,167	¥ 46,756	¥ 12,615	¥ 15,287	¥ 2,422,825		Total equity and liabilities

Notes on adjustments to equity at the date of transition to IFRS and the end of the previous year

(a) Adjustments due to unification of reporting periods

Under Japanese GAAP, the Group prepared its consolidated financial statements based on the financial statements of subsidiaries at the subsidiaries' reporting date even when the closing dates of the subsidiaries were different from the Company's closing date. Under IFRS, the financial statements of subsidiaries have been prepared at the same closing date of the Company by unifying the subsidiary's closing date with that of the Company or using provisional financial statements, unless it is impracticable to do so. This change has caused differences in each account balance.

(b) Adjustments to property, plant and equipment

The Group has applied optional exemptions to use the fair value of certain property, plant and equipment as its deemed cost at the date of transition to IFRS. At that date, the previous carrying amount and fair value of property, plant and equipment for which deemed cost was used amounted to ¥82,398 million, and ¥20,703 million, respectively.

The Group has reviewed the estimate of residual value of property, plant and equipment in applying IFRS. Accordingly, differences have arisen between the carrying amount of property, plant and equipment under Japanese GAAP and that of property, plant and equipment under IFRS.

(c) Adjustments to goodwill

Under Japanese GAAP, goodwill was amortized over its estimated useful economic life. Under IFRS, goodwill has not been amortized since the date of transition to IFRS. Certain intangible assets identified in past business combinations were included in goodwill under Japanese GAAP, but they have been transferred to intangible assets under IFRS.

(d) Adjustments to intangible assets

Under Japanese GAAP, brands, which are intangible assets, were mainly amortized over 20 years. Under IFRS, as most brands are considered to be intangible assets with indefinite useful lives, they have not been amortized since the initial recognition because it is not possible to foresee the period over which their net cash inflows are expected to continue.

Under Japanese GAAP, among costs arising from in-licensing contracts for products, developed products, technologies and other items, those that had not yet obtained marketing approval of regulatory authorities were expensed as research and development expenses. Under IFRS, they are recognized as intangible assets when they meet certain capitalization criteria.

For marketing rights and certain intangible assets (in the Pharmaceuticals and Bio-chemicals Businesses), the Group reviewed how to identify cash generating units for impairment testing at the date of transition to IFRS. In addition, the Group made a decision to halt the development of certain products. As a result, because part of the marketing rights is not likely to generate future cash flows as originally expected, the Group has deducted impairment loss of ¥21,911 million from intangible assets and retained earnings. The recoverable amount based on the value in use (discount rate of 6.1% to 8.7%) is ¥11,730 million.

(e) Transfers and adjustments to other financial assets, bonds and borrowings, and other financial liabilities

Under Japanese GAAP, the Group applied appropriation treatment to currency swaps and forward foreign exchange contracts and special treatment to interest rate swaps under hedge accounting. Under IFRS, the Group has designated these financial instruments as cash flow hedges and net investment hedges.

Financial assets included in other of investments and other assets under Japanese GAAP have been transferred to other financial assets (non-current) under IFRS. In addition, financial assets included in other of current assets under Japanese GAAP have been transferred to other financial assets (current).

Fixed term deposits over three months included in cash and time deposits under Japanese GAAP have been transferred to other financial assets (current) under IFRS.

Bonds and long-term debt presented separately under Japanese GAAP have been included in bonds and borrowings (non-current) under IFRS. In addition, commercial paper, bonds due within one year and short-term loans payable and long-term debt with current maturities have been included in bonds and borrowings (current).

Financial liabilities included in other of non-current liabilities under Japanese GAAP have been transferred to other financial liabilities (non-current) under IFRS. In addition, financial liabilities included in other of current liabilities under Japanese GAAP have been transferred to other financial liabilities (current).

(f) Transfers and adjustments to equity-accounted investees

Under Japanese GAAP, goodwill on equity-accounted investees was amortized over the estimated useful economic life. Under IFRS, it has not been amortized since the date of transition to IFRS.

Under Japanese GAAP, brands held by equity-accounted investees were mainly amortized over 20 years. Under IFRS, as intangible assets with indefinite useful lives, they have not been amortized since the initial recognition because it is not possible to foresee the period over which their net cash inflows are expected to continue.

Equity-accounted investees included in investment securities under Japanese GAAP have been presented separately under IFRS.

(g) Transfers of and adjustments to defined benefit asset and liability

Under IFRS, as to the mortality rate, which is one of the assumptions to determine defined benefit obligations, the Group uses a rate that reflects future changes unlike Japanese GAAP.

In addition, net defined benefit asset presented separately under Japanese GAAP has been included in other non-current assets under IFRS.

(h) Transfers of deferred tax assets and deferred tax liabilities
Deferred tax assets and liabilities recorded as current items under Japanese GAAP have been transferred to non-current items, as IFRS requires all deferred tax assets and liabilities to be classified into non-current items without presenting current and non-current items separately.

(i) Transfers of allowances for doubtful accounts
Allowance for doubtful accounts (non-current) presented separately under Japanese GAAP has been transferred to be presented on a net basis by being directly deducted from other financial assets (non-current) under IFRS. In addition, allowance for doubtful accounts (current) has been transferred to be presented on a net basis by being directly deducted from trade and other receivables.

(j) Transfers to inventories
Merchandise and finished goods, work in process and raw materials and supplies presented separately under Japanese GAAP have been included in inventories under IFRS.

(k) Transfers to trade and other receivables
Accrued accounts receivable included in other of current assets under Japanese GAAP have been included in trade and other receivables under IFRS.

(l) Reconciliation of retained earnings

(¥ millions)

	At January 1, 2016 (Date of transition to IFRS)	At December 31, 2016
Retained earnings under Japanese GAAP	¥ 545,712	¥ 629,024
Adjustments for unification of reporting periods (see (a)above)	11,341	7,655
Difference in recognition and measurement		
Adjustments to property, plant and equipment (see (b) above)	(86,377)	(83,843)
Adjustments to goodwill (see (c) above)	(1,584)	20,755
Adjustments to intangible assets (see (c) (d) above)	18,120	27,328
Adjustments to other financial assets, bonds and borrowings and other financial liabilities (see (e) above)	3,482	(13,765)
Adjustments to equity-accounted investees (see (f) above)	13,845	25,041
Adjustments to defined benefit asset and liability (see (g) above)	(12,004)	(11,250)
Adjustments to reserves (see (m))	(25,865)	(31,026)
Adjustments to other non-current liabilities and other current liabilities (see (o))	(25,031)	(22,193)
Other	2,083	12,354
Increase (decrease) in tax effects and non-controlling interests related to the above adjustments	41,150	37,557
Total difference in recognition and measurement	(72,181)	(39,041)
Retained earnings under IFRS	484,872	597,638

(m) Adjustments to reserves

Based on IFRS 1 exemptions, the Group opted to deem all exchange differences on translation of foreign operations as zero at the date of transition. Under Japanese GAAP, actuarial gains and losses and prior service costs were expensed on a straight-line basis over a certain number of years within the average remaining service period of employees when incurred. Under IFRS, remeasurements of defined benefit plans including actuarial gains and losses are recognized in other comprehensive income when incurred, and then immediately reclassified to retained earnings. All past service costs are expensed when incurred.

Under Japanese GAAP, the Group applied appropriation treatment to currency swaps and forward foreign exchange contracts and special treatment to interest rate swaps under hedge accounting. Under IFRS, the Group has designated these financial instruments as cash flow hedges and net investment hedges.

(n) Transfers of provisions

Provisions have been partially reclassified in accordance with the definition set forth in IFRS and other factors.

(o) Transfers and adjustments to other non-current liabilities and other current liabilities

Under Japanese GAAP, the Group recognized up-front income and milestone revenue associated with contracts including out-licensing contracts of products, developed products, technologies and other items as revenue at a point in time. Under IFRS, if performance obligations in contracts with customers are not satisfied at a point in time, the Group records contract liabilities associated with such contracts in other non-current liabilities or other current liabilities and revenue is recognized over a period of time according to the progress towards complete satisfaction of the related performance obligations.

Part of liquor taxes payable and accrued expenses presented separately under Japanese GAAP have been included in other current liabilities under IFRS.

(p) Transfers to trade and other payables

Part of accrued expenses presented separately under Japanese GAAP has been included in trade and other payables under IFRS. In addition, accounts payable included in other of current liabilities under Japanese GAAP have been included in trade and other payables under IFRS.

Reconciliation of profit (loss) and comprehensive income for the year ended December 31, 2016

(¥ millions)

Japanese GAAP (line item)	Japanese GAAP	Unification of reporting periods (a)	Reclassifi-cations (b)	Difference in recognition and measurement	IFRS	Note	IFRS (line item)
Sales	2,075,070	(14,106)	(117,962)	(89,066)	1,853,937	(c)	Revenue
Cost of sales	1,157,692	(7,444)	(80,964)	(2,643)	1,066,642	(d)	Cost of sales
Gross profit	917,378	(6,662)	(36,998)	(86,423)	787,296		Gross profit
Selling, general and administrative expenses	775,488	(3,146)	(45,530)	(121,499)	605,313	(e)	Selling, general and administrative expenses
	-	-	37,863	2,531	40,394		Other operating income
	-	-	26,005	(219)	25,786		Other operating expenses
Operating income	141,889	(3,516)	20,391	37,826	196,590		Operating profit
Non-operating income	20,889	(544)	(20,346)	-	-		
Non-operating expenses	22,102	261	(22,363)	-	-		
Ordinary income	140,677	(4,321)	(136,356)	-	-		
Special income	67,322	778	(68,100)	-	-		
Special expenses	27,235	1,278	(28,513)	-	-		
	-	-	11,193	(7,230)	3,963	(f)	Finance income
	-	-	9,597	(267)	9,329	(f)	Finance costs
	-	-	11,889	5,038	16,926	(g)	Share of profit of equity-accounted investees
Income before income taxes	180,764	(4,821)	(3,693)	35,901	208,151		Profit before tax
Total income taxes	47,097	(1,316)	4,034	235	50,051		Income tax expense
	-	-	122,434	35,666	158,100		Profit from continuing operations
	-	-	7,727	463	8,190	(b)	Profit from discontinued operations
Net income (loss)	133,667	(3,506)	-	36,129	166,290		Profit
							Profit attributable to:
Net income attributable to owners of the Company	118,158	(3,524)	-	34,284	148,918		Owners of the Company
Net income attributable to non-controlling interests	15,509	19	-	1,845	17,372		Non-controlling interests

(¥ millions)

Japanese GAAP (line item)	Japanese GAAP	Unification of reporting periods (a)	Reclassifi-cations	Difference in recognition and measurement	IFRS	Note	IFRS (line item)
Net income	133,667	(3,506)	-	36,129	166,290		Profit
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Net unrealized gains or losses on securities	(111)	(140)	-	(3,531)	(3,782)	(f)	Net change in equity instruments measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	(6,446)	(2)	-	(772)	(7,220)	(h)	Remeasurements of defined benefit plans
Land revaluation difference	61	-	-	(61)	-	(i)	
	-	-	411	(680)	(270)	(h)	Share of other comprehensive income of equity-accounted investees
							Items that are or may be reclassified to profit or loss
Foreign currency translation adjustments	(50,223)	18,494	-	3,025	(28,704)	(k)	Foreign currency translation differences on foreign operations
Deferred gains or losses on hedges	(3,565)	1,800	-	(86)	(1,851)	(j)	Cash flow hedges
Share of other comprehensive income of entities accounted for by the equity method	(19,004)	-	(411)	(2,592)	(22,007)	(k)	Share of other comprehensive income of equity-accounted investees
Total other comprehensive income	(79,288)	20,152	-	(4,698)	(63,835)		Total other comprehensive income
Comprehensive income	54,379	16,646	-	31,431	102,456		Comprehensive income
Comprehensive income attributable to							Comprehensive income attributable to:
Owners of the Company	51,686	14,852	-	28,904	95,442		Owners of the Company
Non-controlling interests	2,693	1,794	-	2,527	7,014		Non-controlling interests

Notes on reconciliation of profit or loss and comprehensive income for the previous year

(a) Adjustments due to unification of reporting periods

Under Japanese GAAP, the Group prepared its consolidated financial statements based on the financial statements of subsidiaries at the subsidiaries' reporting dates even when the closing dates of the subsidiaries were different from the Company's closing date. Under IFRS, financial statements of subsidiaries have been prepared at the same closing date of the Company by unifying the subsidiary's closing date with that of the Company or using provisional financial statements, unless it is impracticable to do so.

(b) Reclassifications

Of the items presented as non-operating income, non-operating expenses, special income and special expenses under Japanese GAAP, the Group has presented finance-related income and expenses as finance income or finance costs, and other items as other operating income, other operating expenses, share of profit of equity-accounted investees and other accounts under IFRS.

Discontinued operations have been presented separately under IFRS. Accounts from revenue to income tax expense that relate to discontinued operations have been reclassified.

(c) Adjustments to revenue

Under Japanese GAAP, certain rebates were presented as selling, general and administrative expenses. Under IFRS, such rebates have been deducted from revenue.

Under Japanese GAAP, the Group recognized up-front income and milestone revenue associated with out-licensing contracts of products, developed products, technologies and other items as revenue at a point in time. Under IFRS, if performance obligations in contracts with customers are not satisfied at a point in time, the Group recognizes revenue over a period of time according to the progress towards complete satisfaction of the related performance obligations.

(d) Adjustments to cost of sales

In applying IFRS, the Group has reviewed the estimate of residual value of property, plant and equipment. Accordingly, depreciation included in cost of sales has changed.

(e) Adjustments to selling, general and administrative expenses

Under Japanese GAAP, certain rebates were presented as selling, general and administrative expenses. Under IFRS, such rebates have been deducted from revenue.

Under Japanese GAAP, goodwill was amortized over the estimated useful economic lives. Under IFRS, amortization has been ceased since the date of transition to IFRS.

Under Japanese GAAP, brands, which are intangible assets, were mainly amortized over 20 years. Under IFRS, as most brands are considered to be intangible assets with indefinite useful lives, they have not been amortized since the initial recognition because it is not possible to foresee the period over which their net cash inflows are expected to continue.

Under Japanese GAAP, among costs arising from in-licensing contracts for products, developed products, technologies and other items, those that had not yet obtained marketing approval of regulatory authorities were expensed as research and development expenses. Under IFRS, they are recognized as intangible assets when they meet certain capitalization criteria.

Under Japanese GAAP, actuarial gains and losses were recognized in other comprehensive income when incurred, and recognized in profit or loss on a straight-line basis over a certain number of years within the average remaining service period of employees from the next year when they were incurred. Under IFRS, remeasurements of defined benefit plans are recognized in other comprehensive income in their entirety when incurred, and then immediately reclassified to retained earnings. Under Japanese GAAP, prior service costs were recognized in other comprehensive income when incurred, and then recognized in profit or loss on a straight-line basis over a certain number of years within the average remaining service period of employees from the year when they were incurred. Under IFRS, past service costs are recognized as profit or loss when incurred.

(f) Adjustments to finance income and finance costs

Under Japanese GAAP, the Group recognized gain or loss on sale and impairment losses of equity instruments in profit or loss. Under IFRS, net change of fair value of equity instruments designated to be measured at fair value through other comprehensive income has been recognized in other comprehensive income, and transferred to retained earnings in the event of derecognition or a significant decrease in the fair value.

(g) Adjustments to share of profit of equity-accounted investees

Under Japanese GAAP, goodwill, which is equity-accounted investees, was amortized over the estimated useful life. Under IFRS, it has not been amortization since January 1, 2016 (date of transition to IFRS).

Under Japanese GAAP, brands, which are equity-accounted investees, were mainly amortized over 20 years. Under IFRS, as most brands are considered to be intangible assets with indefinite useful lives, they have not been amortized since the initial recognition because it is not possible to foresee the period over which their net cash inflows are expected to continue.

(h) Adjustments to remeasurements of defined benefit plans

Under Japanese GAAP, actuarial gains and losses were recognized in other comprehensive income when incurred, and recognized in profit or loss on a straight-line basis over a certain number of years within the average remaining service period of employees from the next year when they were incurred. Under IFRS, remeasurements of defined benefit plans are recognized in other comprehensive income in their entirety when incurred, and then immediately reclassified to retained earnings. Under Japanese GAAP, prior service costs were recognized in other comprehensive income when incurred, and then recognized in profit or loss on a straight-line basis over a certain number of years within the average remaining service period of employees from the year when they were incurred. Under IFRS, past service costs are recognized as profit or loss when incurred.

(i) Adjustments to revaluation of land
Under Japanese GAAP, the Group revalued land used for business pursuant to the "Act on Revaluation of Land" (Act No. 34, promulgated on March 31, 1998) and the revised said act of March 31, 2001. Under IFRS, these revaluations have been reversed.

(j) Adjustments to cash flow hedges
Under Japanese GAAP, the Group applied appropriation treatment to currency swaps and forward foreign exchange contracts and special treatment to interest rate swaps contracts under hedge accounting. Under IFRS, the Group has designated these financial instruments as cash flow hedges and net investment hedges.

(k) Adjustments to foreign currency translation differences on foreign operations
The amount of foreign currency translation differences on foreign operations has changed due to adjustments from Japanese GAAP to IFRS.

Adjustments to cash flows for the year ended December 31, 2016
Major differences between the consolidated statement of cash flows under Japanese GAAP and the consolidated statement of cash flows under IFRS arose from unifying the end of the reporting periods of subsidiaries to December 31.