



# KIRIN HOLDINGS COMPANY, LIMITED

## SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

### FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNDER IFRS)

#### (UNAUDITED)

November 6, 2018

(English Translation)

Fiscal year ending December 31, 2018

#### KIRIN HOLDINGS COMPANY, LIMITED

NAKANO CENTRAL PARK SOUTH, 10-2, Nakano 4-chome, Nakano-ku, Tokyo, Japan (URL <http://www.kirinholdings.co.jp/english/>)

Code No.:	2503
Shares Listed:	Tokyo, Nagoya, Sapporo and Fukuoka
Representative:	Mr. Yoshinori Isozaki, President and CEO
For further information, please contact:	Mr. Tetsuya Fujiwara, Director of Group Corporate Communications
	Telephone: +81-3-6837-7015 from overseas
Scheduled date of quarterly securities report scheduled:	November 8, 2018
Commencement date of dividend distribution scheduled:	—
Preparation of supplementary documents to the financial results:	Yes
Holding of financial results presentation (for institutional investors and analysts):	Yes

### 1. Consolidated business results and financial position for the nine months of the current fiscal year (January 1, 2018 – September 30, 2018)

[Unit: Japanese yen (¥)]

(1) Results of operations (cumulative): (Amounts are rounded to the nearest ¥1 million.)  
(Percentage change compares current results with those of the same period of the previous year)

	Revenue (¥ millions)	Percentage change (%)	Normalized operating profit (¥ millions)	Percentage change (%)	Profit before tax (¥ millions)	Percentage change (%)
Nine months ended						
September 30, 2018	1,420,724	4.8	147,240	(1.1)	198,658	4.2
September 30, 2017	1,355,315	-	148,950	-	190,737	-

	Profit (¥ millions)	Percentage change (%)	Profit attributable to owners of the Company (¥ millions)	Percentage change (%)	Total comprehensive income (¥ millions)	Percentage change (%)
Nine months ended						
September 30, 2018	155,868	(33.3)	128,928	(40.6)	126,405	(51.5)
September 30, 2017	233,814	-	217,178	-	260,493	-

	Basic earnings per share (¥)	Diluted earnings per share (¥)
Nine months ended		
September 30, 2018	143.25	143.22
September 30, 2017	237.98	237.97

Reference: Operating profit  
 Nine months ended September 30, 2018 ¥160,056 million (6.6%)  
 Nine months ended September 30, 2017 ¥171,332 million -%

\* Normalized operating profit is a profit indicator for measuring recurring performance which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

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

(2) Financial position:

	Total assets	Total equity	Equity attributable to owners of the Company	Equity ratio attributable to owners of the Company
	(¥ millions)	(¥ millions)	(¥ millions)	(%)
As of				
September 30, 2018	2,282,572	1,201,351	916,702	40.2
December 31, 2017	2,398,572	1,229,139	957,828	39.9

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

## 2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended December 31, 2017	–	20.50	–	25.50	46.00
Fiscal year ending December 31, 2018	–	24.00	–		
Fiscal year ending December 31, 2018 (Forecast)				24.00	48.00

Note: Revision of the forecast from recently announced figures: None

## 3. Forecast consolidated business results for the current fiscal year (January 1, 2018 - December 31, 2018)

(Percentage change compares forecast results with actual results of the previous year)

	Revenue	Percentage change	Normalized operating profit	Percentage change	Profit before tax	Percentage change
	(¥ millions)	(%)	(¥ millions)	(%)	(¥ millions)	(%)
Fiscal year ending December 31, 2018	1,960,000	5.2	196,000	0.7	235,000	0.6

	Profit	Percentage change	Profit attributable to owners of the Company	Percentage change	Basic earnings per share
	(¥ millions)	(%)	(¥ millions)	(%)	(¥)
Fiscal year ending December 31, 2018	180,000	(32.5)	155,000	(35.9)	172.94

Note: Revision of the forecast from recently announced figures: None

Reference: Operating profit Fiscal year ending December 31, 2018 ¥194,000 million (8.1%)

Note: In accordance with the settlement of the provisional accounting treatment related to the acquisition of a business conducted in the fiscal year ended December 31, 2017, percentage change compares forecast results with actual results of the previous year which have been revised retroactively. The retroactively revised financial figures for the fiscal year ended December 31, 2017 are as follows: Revenue ¥1,863,730 million, Normalized operating profit ¥194,609 million, Operating profit ¥211,000 million, Profit before tax ¥233,711 million, Profit ¥266,745 million, and Profit attributable to owners of the Company ¥241,991 million.

## \* Notes

- (1) Changes in significant subsidiaries for the nine months ended September 30, 2018 (Changes in specified subsidiaries accompanying change in scope of consolidation):      Yes

Newly included: —

Excluded: 1 company  
Great Northern Developments Limited

- (2) Changes in accounting policies and changes in accounting estimates

- |  |      |
|--|------|
| i. Changes in accounting policies required by IFRS:      | None |
| ii. Changes in accounting policies due to other reasons: | None |
| iii. Changes in accounting estimates:                    | None |

- (3) Number of shares outstanding (ordinary shares)

- |  |                    |
|--|--------------------|
| i. Number of shares outstanding at the end of the period (including treasury shares)               |                    |
| As of September 30, 2018   | 914,000,000 shares |
| As of December 31, 2017  | 914,000,000 shares |
| ii. Number of treasury shares at the end of the period   |                    |
| As of September 30, 2018   | 35,998,347 shares  |
| As of December 31, 2017  | 1,394,366 shares   |
| iii. Average number of shares during the period (cumulative from the beginning of the fiscal year) |                    |
| For the nine months ended September 30, 2018   | 900,008,185 shares |
| For the nine months ended September 30, 2017   | 912,569,637 shares |

\* The summary of quarterly consolidated financial results is not subject to a quarterly review by certified public accountants or an audit corporation.

\* Information about proper usage of forecast business results, and other special instructions

- (1) The statements concerning future performance that are presented in this document are based on judgments using information available to Kirin Holdings and the Kirin Group as of the release date of this material. Certain risks and uncertainties could cause the results of Kirin Holdings and the Kirin Group to differ materially from any projections presented herein. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses, market trends, and exchange rates.
- (2) The Company will post the Supplementary Documents to the Financial Results today, Tuesday, November 6, and will post the presentation materials from the financial results presentation (teleconference) to be held on Wednesday, November 7 and the main Q&A at the meeting as soon as possible on the Company's website.  
(URL of the Company's website)  
<http://www.kirinholdings.co.jp/english/ir/event/explain/index.html>

**ATTACHED MATERIALS**

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## 1. KIRIN GROUP'S CURRENT BUSINESS PERFORMANCE

### (1) STATEMENT OF BUSINESS ACTIVITIES AND RESULTS

During the consolidated period including the third quarter (January 1 – September 30, 2018), although the economies in the United States and Europe were firm, the economic environment in some countries deteriorated due to the impact of the trade friction between the United States and China, and overall, the uncertainty in the global economy increased somewhat. In Australia and the Association of Southeast Asian Nations (ASEAN), which have strong relationships with the Chinese economy, the depreciation of the local currencies has continued.

In Japan, there was a slight feeling of stagnation in personal consumption against the backdrop of moderate inflation. However, both the employment and income environment remained stable, and demand for beverages rose particularly in the hot summer. Despite this, during the current consolidated third quarter, there were a number of natural disasters, including the torrential rains in Western Japan in July and the Hokkaido Eastern Iburi earthquake in September, and they caused a temporary suspension of production activities and disruption to the distribution network due to road closures.

The Kirin Group (The company and its associated companies) continued to work on the key strategies of the Kirin Group 2016-2018 Medium-Term Business Plan ("2016 MTBP") in order to achieve the target of "restructure and revitalize Kirin, groupwide" during the current fiscal year, which is the final year of the 2016 MTBP. Furthermore, based on the new Long-Term Management Vision, the New Kirin Group Vision 2021 ("New KV2021"), and the Kirin Group's CSV<sup>\*1</sup> Commitment, the Kirin Group stepped up its efforts toward addressing the CSV priority issues, namely, "Health and Well-being", "Community Engagement", and "The Environment", in the alcoholic beverages, non-alcoholic beverages, and pharmaceuticals and bio-chemicals businesses, respectively. Concerning "Community engagement" in particular, the Kirin Group invested together with the The Norinchukin Bank in the agricultural production company BEER EXPERIENCE Co., Ltd., with the aim of both increasing social value through the realization of the "Home of Beer Project" set forth by Tono City, Iwate prefecture and increasing economic value through the stable procurement of raw materials and fostering the craft beer category.

As a result, in the consolidated period including the third quarter, revenue increased due to higher revenue in the Japan Integrated Beverage Business driven by a sales volume increase at Kirin Brewery Company, Limited, as well as significantly higher revenue in the Other Overseas Integrated Beverages Business. On the other hand, normalized operating profit<sup>\*2</sup> decreased due to lower normalized operating profit in the Oceania Integrated Beverages Business resulting from the exchange rate effect and lower sales volumes, as well as lower normalized operating profit in the Pharmaceuticals and Bio-chemicals Businesses resulting from lower drug prices and other factors. Profit before tax increased on account of the capital gain resulting from the transfer of all shares of Kirin-Amgen, Inc. and the capital gain resulting from the partial transfer by Kyowa Hakko Kirin Company, Limited of its shareholdings in Kyowa Medex Co., Ltd. Profit attributable to owners of the Company, decreased from last year because of the capital gain recorded in the corresponding period last year resulting from the transfer of all shares of Brasil Kirin.

Regarding the business acquisition conducted during the previous consolidated third quarter, provisional accounting treatment was applied based on the temporary valuation, as the allocation process of acquisition cost had not been completed at the date of the acquisition. The financial figures for the fiscal year ended December 31, 2017, and the previous consolidated third quarter ended September 30, 2017 have been revised retroactively.

<sup>\*1</sup> CSV: An acronym for Creating Shared Value; the aim is improvement in corporate values based on both "creation of social value" and "creation of economic value" through addressing social issues.

<sup>\*2</sup> Normalized operating profit: A profit indicator for measuring recurring performance which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue.

Consolidated revenue	1,420.7 billion yen, up 4.8%
Consolidated normalized operating profit*	147.2 billion yen, down 1.1%
Consolidated profit before tax	198.7 billion yen, up 4.2%
Consolidated profit attributable to owners of the Company	128.9 billion yen, down 40.6%
(Reference)	
Normalized EPS*	122 yen, down 2.4%

\* Normalization: Non-recurring items such as Other operating income or expenses, etc. have been removed to more accurately reflect actual earnings.

Normalized EPS = Normalized profit / Average number of shares outstanding during period

Normalized profit = Profit attributable to Owners of the Company ± Other operating income and expenses and other items after income taxes

The acquisition of treasury shares, which was launched in February to further enhance shareholder returns, was terminated on September 13, 2018 at a total of approximately 34.67 million shares, with a total purchase price of approximately 100 billion yen.

Results by segment are as follows.

### **Japan Integrated Beverages Business**

Kirin Brewery Company, Limited focused on enhancing the appeal of its beer category, as well as conducted highly efficient marketing activities that narrowed down the brands and activities for investment with the aim of achieving a return to growth. While the beer products market in Japan contracted, the sales volume in the company's overall beer products segment increased from last year as a result of higher sales volumes in the new genre category, driven by the resumed sales of the renewed Kirin Nodogoshi Nama and achieving 80% of the upwardly revised annual sales targets for Honkirin. Sales volumes of the flagship brand Kirin Ichiban increased at a faster pace than the market through strong sales of canned products, but sales volumes in the beer category declined due to the slow sales in the overall commercial-use market. Regarding Tap Marché<sup>\*1</sup>, which was developed with the aim of creating a new beer culture through the realization of "places" to casually enjoy craft beer, the available brands were expanded to a total of 19 brands from seven breweries, and in September, the cumulative number of stores opened exceeded 5,000 nationwide. In the ready-to-drink (RTD<sup>\*2</sup>) category, an expanding market, a year on year increase in sales volumes was recorded for the category as a whole, driven by strong sales of Kirin Honshibori™ Chuhai and KIRIN The STRONG launched in April. Sales in the whiskey, spirits, and wine category also continued to be strong, and sales increased from last year, centering on imported whiskey products such as White Horse.

Mercian Corporation proposed values for wine that challenged conventional ways of thinking and advanced efforts to select and concentrate on focus brands in each category. The flagship brand Château Mercian has revamped its product portfolios centered on the three wineries, which were formed in the major growing areas centered on the vineyards managed by the company, and those sales were favorable. In September, a new winery was established in Shiojiri City in Nagano Prefecture. In the domestically produced wine category, sales volume of the flagship brand Oishii-Sankaboshizai-Mutenka Wine increased. In the imported wine category, sales of Frontera, a daily-use wine in which focuses on activities, and Casillero del Diablo, a medium-price range wine, were strong, but the overall sales volume for wine decreased slightly from last year due to declines in some brands resulting from the selection and concentration. In addition, raw material costs for wine increased due to a shortage of grapes on the market as a whole.

Kirin Beverage Company, Limited continued to work with the aim of building a more robust brand framework and strengthening its business base. As a result of increased sales volumes of Kirin Nama-cha, as well as functional beverage and mineral water due to the hot weather and other factors, overall sales volume in the soft drinks category increased from last year. On the other hand, due to the impact of suspending or adjusting the shipments of some of the products following the torrential rain that occurred in Western Japan in July, the sales volume of several brands, including the flagship brand Kirin Gogo-no-Kocha, declined. Also, sales volume of Kirin FIRE significantly declined due to the impact of suspending shipments of some of the products and the downward trend in the canned coffee market. Sales of small-sized PET bottles, a focus packaging type, were favorable. Also, sales Kirin Lemon, which underwent a renewal in April, remained strong, and the annual sales target was increased about 70% to six million cases.

As a result, in Japan Integrated Beverages Business, although there was a deterioration in the product mix and composition ratio of containers etc. resulting from the lower sales volume of canned coffee at Kirin Beverage Company, Limited and the impact of rising raw material costs at Mercian Corporation, both revenue and normalized operating income increased as a result of increased sales volumes of beer products mainly in the new genre category and higher sales volumes in the RTD category at Kirin Brewery Company, Limited.

\*1 Tap Marché: It is a system that enables customers to enjoy a variety craft beers by installing small dispensers that can provide several types of beer using a single unit developed by Kirin.

\*2 RTD: An acronym for "ready-to-drink", RTD liquors are packaged low-alcohol beverages sold in a pre-prepared ready-to-drink form.

Japan Integrated Beverages Business 2018 third-quarter results:

Consolidated revenue 795.9 billion yen, up 2.2%

Consolidated normalized operating profit 62.4 billion yen, up 5.7%

### **Overseas Integrated Beverages Business**

In Lion's Beer, Spirits and Wine business, the company continues to focus on investing in the growing contemporary and craft beer segments to drive profitable growth in the medium to long term. Consistent with the contraction of the Australian beer market predominantly due to the impact of the introduction of the Container Deposit Scheme in Australia's largest state (New South Wales), sales volume in the Beer, Spirits and Wine business as a whole showed a slight decline. Sales of *IRON JACK*, which launched a new full-strength product in July, and *FURPHY* continue to show strong growth. Acquisitions of two craft breweries, *FOURPURE* in the United Kingdom and *HARRINGTON'S* in New Zealand, will continue to strengthen the company's craft beer focus and its overseas expansion.

In Lion's Dairy & Drinks business, the company's milk-based beverages category continues to grow, driven by promotion and product innovation across key brands including *DARE*. However, overall volumes have been adversely impacted by declines in ambient juice. The business continues to invest in optimizing its distribution network and manufacturing operations. The dairy supply chain continues to be under pressure in Australia with a one in 100 year drought being experienced in New South Wales as well as South East Queensland and Northern Victoria.

On October 2018 Kirin and Lion announced it had commenced a sale process of the Lion Dairy & Drinks business. The business has a sound platform for growth and a future vision to become the leading nutritional food and beverages company in the region. Executing this vision will require new capabilities, accelerated innovation and capital investments. After careful consideration, it was decided that separating the businesses via a sale of the Dairy & Drinks business was the best path to set both Lion and the Dairy & Drinks business up with the capital, resources and expertise needed to win into the future.

Myanmar Brewery capitalized on its high recognition and market share in the Myanmar beer market so as to further deepen its understanding of the market and consumers through effective market research activities and execute its sales activities accordingly. Sales volumes of the flagship product *Myanmar Beer* increased as a result of the sales promotion activities for canned products. Also, the sales volume of *Andaman Gold* grew significantly as a result of continued growth in the demand for products in the economy category.

As a result, in Oceania Integrated Beverages Business, profit fell on lower revenue in the Lion Beer, Spirits and Wine business as result of lower beer sales volume and a stronger yen year-on-year. In the Dairy & Drinks business, profit declined on lower revenue due to lower sales volume of ambient and chilled juice etc., as well as the impact of the large-scale drought in Australia and the foreign currency exchange rates. In sum total, the revenue and normalized operating profit of the Oceania Integrated Beverages Business decreased.

In other Overseas Integrated Beverages Business, revenue increased significantly due to a large increase in the sales volume at Myanmar Brewery and CCNNE\*, a subsidiary of the soft drinks business in the United States that expanded its business scope in September 2017. Also, although the impact of higher raw-material costs at CCNNE continued, normalized operating profit increased as a result of the larger impact of the year-on-year increase in revenue at Myanmar Brewery.

\*CCNNE: An acronym for the Coca-Cola Bottling Company of Northern New England, Inc., a wholly owned subsidiary that manufactures and sells soft drink products in the northeastern part of the United States.

Oceania Integrated Beverages Business 2018 third-quarter results:

Consolidated revenue 237.7 billion yen, down 4.6%

Consolidated normalized operating profit 31.7 billion yen, down 11.8%

Other Overseas Integrated Beverages Business 2018 third-quarter results:

Consolidated revenue 126.3 billion yen, up 119.4 %

Consolidated normalized operating profit 10.9 billion yen, up 13.1 %

## **Pharmaceuticals and Bio-chemicals Businesses**

In the pharmaceuticals business, in line with its aim of making great strides to become a global specialty pharmaceutical company, Kyowa Hakko Kirin Company, Limited strove to maximize the value of its global strategic products. It also undertook measures to penetrate the market, primarily through its newly launched products, to strengthen its relationships with customers by area, and to expand its product pipeline. In Japan, sales of PATANOL®, an anti-allergy eye drops, increased year-on-year due to the effects of airborne pollen, and sales of G-Lasta®, an agent for decreasing the incidence of febrile neutropenia, and LUMICEF®, a treatment for psoriasis, increased steadily. However, in addition to the impact of the exclusion of Kyowa Medex Co., Ltd. from the scope of consolidation, revenue in Japan declined from the previous year due to reductions of the drug price standards implemented in April, and the impacts of generics and rival products. With regard to international business, the market penetration of Crysvita®, a treatment for X-linked Hypophosphatemia (code name: KRN23), whose sales commenced in the U.S. and Germany, began progressing steadily, and increased licensing revenue due to the gain on the sale of the priority review voucher in the U.S., and robust sales of Abstral®, a treatment for cancer pain. In the research and development arena, KW-0761 (Product name in Japan: POTELIGE®) a positive opinion was approved in the United States in August and was adopted by the EMA in Europe in September of its indication for treatment of Mycosis Fungoides and Sezary Syndrome\* in adult patients who have a history of systemic therapy.

In the Bio-chemicals business, revenue decreased from the previous fiscal year due mainly to the effect of the sale of the plant growth regulators business in the previous year and the intensifying competition regarding some products overseas. On the other hand, we reduced costs by shifting production to overseas plant and improved product mix, resulting in improved profitability compared to the previous year. As a result, Pharmaceuticals and Bio-chemicals Businesses as a whole, revenue from international business increased, but both revenue and normalized operating income declined due to the impact of reductions in drug price standards in Japan and other factors on domestic sales, the impact of the exclusion of Kyowa Medex Co., Ltd. from the scope of consolidation, and the increase in selling, general and administrative expenses accompanying the launch in the U.S. and European markets of global strategic products.

\*Mycosis Fungoides and the Sézary Syndrome: Mycosis Fungoides and the Sézary Syndrome are the two most common subtypes of cutaneous T-cell lymphoma (CTCL). CTCL is a rare type of non-Hodgkin's lymphoma, which is characterized by CCR4 related localization of malignant T lymphocytes to the skin, and depending on the stage. Mycosis Fungoides accounts for 50% to 70% of CTCL and is a slow-growing lymphoma that spreads to the skin, blood, lymph nodes, and viscera, but sometimes causes serious infections. Sézary Syndrome accounts for about 3% of CTCL and is a leukemic CTCL that progresses faster than Mycosis Fungoides.

### **Pharmaceuticals and Bio-Chemicals Businesses 2018 third-quarter results:**

Consolidated revenue	248.9 billion yen, down 3.0%
Consolidated normalized operating profit	45.6 billion yen, down 4.6%

## **(2) FINANCIAL POSITION**

Total assets at the end of the current consolidated third quarter was 2,282.6 billion yen, a decrease of 116.0 billion yen from the end of the previous consolidated fiscal year due to a decline in trade and other receivables and non-current assets held for sale, etc.

Equity, although Retained earnings increased, decreased by 27.8 billion yen from the end of the previous fiscal year to 1,201.4 billion yen due to increases in treasury shares and decreases in reserves.

Liabilities decreased 88.2 billion yen from the end of the previous fiscal year to 1,081.2 billion yen due to a decline in bonds and borrowings and trade and other payables, etc.

## **(3) CONSOLIDATED FORECASTS**

Kirin Group's consolidated forecasts remain unchanged for the full year ending December 31, 2018, as announced on February 14, 2018.



## 2. CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

### (1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(¥ millions)

	At December 31, 2017	At September 30, 2018
<b>Assets</b>		
Non-current assets		
Property, plant and equipment	551,194	531,616
Goodwill	260,414	251,918
Intangible assets	182,892	183,666
Equity-accounted investees	210,780	227,488
Other financial assets	208,545	190,626
Other non-current assets	15,799	14,029
Deferred tax assets	96,727	93,222
Total non-current assets	1,526,351	1,492,565
Current assets		
Inventories	195,136	214,628
Trade and other receivables	402,296	368,154
Other financial assets	3,362	5,498
Other current assets	34,168	29,039
Cash and cash equivalents	160,913	172,688
(Sub-total)	795,876	790,007
Assets held for sale	76,344	-
Total current assets	872,221	790,007
<b>Total assets</b>	<b>2,398,572</b>	<b>2,282,572</b>

(¥ millions)

	At December 31, 2017	At September 30, 2018
Equity		
Share capital	102,046	102,046
Share premium	2,208	2,232
Retained earnings	811,454	912,475
Treasury shares	(2,020)	(101,943)
Reserves	44,140	1,893
Equity attributable to owners of the Company	957,828	916,702
Non-controlling interests	271,311	284,649
Total equity	1,229,139	1,201,351
Liabilities		
Non-current liabilities		
Bonds and borrowings	362,622	369,091
Other financial liabilities	88,342	87,982
Defined benefit liability	66,016	66,844
Provisions	7,385	7,012
Other non-current liabilities	13,255	11,911
Deferred tax liabilities	18,851	17,658
Total non-current liabilities	556,472	560,499
Current liabilities		
Bonds and borrowings	123,852	74,004
Trade and other payables	224,270	204,732
Other financial liabilities	55,018	45,061
Current tax liabilities	9,853	24,031
Provisions	1,005	598
Other current liabilities	194,850	172,297
(Sub-total)	608,849	520,723
Liabilities associated with assets held for sale	4,111	-
Total current liabilities	612,960	520,723
Total liabilities	1,169,432	1,081,221
Total equity and liabilities	2,398,572	2,282,572

**(2) CONDENSED QUARTERLY CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME**

**CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
NINE MONTHS ENDED SEPTEMBER 30, 2018**

(¥ millions)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Continuing operations		
Revenue	1,355,315	1,420,724
Cost of sales	761,331	806,622
Gross profit	593,984	614,102
Selling, general and administrative expenses	445,034	466,862
Normalized operating profit	148,950	147,240
Other operating income	39,200	28,500
Other operating expenses	16,819	15,685
Operating profit	171,332	160,056
Finance income	3,364	3,894
Finance costs	8,047	5,916
Share of profit of equity-accounted investees	21,646	20,843
Gain on sale of equity-accounted investees	2,441	19,782
Profit before tax	190,737	198,658
Income tax expense	38,709	42,790
Profit from continuing operations	152,028	155,868
Discontinued operations		
Profit from discontinued operations	81,786	-
Profit	233,814	155,868
Profit attributable to:		
Owners of the Company	217,178	128,928
Non-controlling interests	16,636	26,940
Profit	233,814	155,868
Earnings per share (Yen)		
Basic earnings per share		
Continuing operations	148.36	143.25
Discontinued operations	89.62	-
Basic earnings per share	237.98	143.25
Diluted earnings per share		
Continuing operations	148.35	143.22
Discontinued operations	89.62	-
Diluted earnings per share	237.97	143.22

**CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**NINE MONTHS ENDED SEPTEMBER 30, 2018**

(¥ millions)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Profit	233,814	155,868
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	9,754	11,498
Remeasurements of defined benefit plans	-	(563)
Share of other comprehensive income of equity-accounted investees	508	183
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	7,784	(41,222)
Cash flow hedges	2,691	1,621
Share of other comprehensive income of equity-accounted investees	5,943	(978)
Total other comprehensive income	26,680	(29,462)
Comprehensive income	260,493	126,405
Comprehensive income attributable to:		
Owners of the Company	242,858	103,596
Non-controlling interests	17,635	22,810
Comprehensive income	260,493	126,405

**(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**NINE MONTHS ENDED SEPTEMBER 30, 2017**

(¥ millions)

	Equity attributable to owners of the Company					
	Share capital	Share premium	Retained earnings	Treasury shares	Reserves	
					Net change in equity instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2017	102,046	2	597,638	(2,127)	55,432	-
Profit	-	-	217,178	-	-	-
Other comprehensive income	-	-	-	-	9,368	508
Comprehensive income	-	-	217,178	-	9,368	508
Dividends from surplus	-	-	(36,959)	-	-	-
Acquisition of treasury shares	-	-	-	(39)	-	-
Reissuance of treasury shares	-	0	-	0	-	-
Change of scope of consolidation	-	-	-	-	-	-
Share-based payments	-	38	-	82	-	-
Changes in the ownership interest of a subsidiary without a loss of control	-	2,134	-	-	(0)	-
Transfer from reserves to retained earnings	-	-	667	-	(159)	(508)
Other	-	-	-	-	-	-
Total transactions with owners of the Company	-	2,172	(36,291)	43	(160)	(508)
Balance at September 30, 2017	102,046	2,174	778,524	(2,084)	64,641	-

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Reserves			Total		
	Foreign currency translation differences on foreign operations	Cash flow hedges	Total			
Balance at January 1, 2017	(41,736)	(5,131)	8,565	706,124	253,064	959,188
Profit	-	-	-	217,178	16,636	233,814
Other comprehensive income	13,115	2,690	25,680	25,680	999	26,680
Comprehensive income	13,115	2,690	25,680	242,858	17,635	260,493
Dividends from surplus	-	-	-	(36,959)	(8,487)	(45,446)
Acquisition of treasury shares	-	-	-	(39)	-	(39)
Reissuance of treasury shares	-	-	-	1	-	1
Change of scope of consolidation	-	-	-	-	(3,740)	(3,740)
Share-based payments	-	-	-	120	70	190
Changes in the ownership interest of a subsidiary without a loss of control	268	-	268	2,402	2,538	4,939
Transfer from reserves to retained earnings	-	-	(667)	-	-	-
Other	-	-	-	-	5	5
Total transactions with owners of the Company	268	-	(400)	(34,476)	(9,613)	(44,089)
Balance at September 30, 2017	(28,353)	(2,441)	33,846	914,506	261,085	1,175,592

**Nine months ended September 30, 2018**

(¥ millions)

	Equity attributable to owners of the Company					
	Share capital	Share premium	Retained earnings	Treasury shares	Reserves	
					Net change in equity instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2018	102,046	2,208	811,454	(2,020)	73,523	-
Profit	-	-	128,928	-	-	-
Other comprehensive income	-	-	-	-	11,130	(113)
Comprehensive income	-	-	128,928	-	11,130	(113)
Dividends from surplus	-	-	(44,823)	-	-	-
Acquisition of treasury shares	-	-	-	(100,033)	-	-
Reissuance of treasury shares	-	0	-	1	-	-
Share-based payments	-	7	-	108	-	-
Changes in the ownership interest of a subsidiary without a loss of control	-	16	-	-	(0)	-
Transfer from reserves to retained earnings	-	-	16,916	-	(17,028)	113
Other	-	-	-	-	-	-
Total transactions with owners of the Company	-	24	(27,907)	(99,924)	(17,029)	113
Balance at September 30, 2018	102,046	2,232	912,475	(101,943)	67,624	-

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Reserves			Total		
	Foreign currency translation differences on foreign operations	Cash flow hedges	Total			
Balance at January 1, 2018	(27,352)	(2,031)	44,140	957,828	271,311	1,229,139
Profit	-	-	-	128,928	26,940	155,868
Other comprehensive income	(37,971)	1,621	(25,332)	(25,332)	(4,130)	(29,462)
Comprehensive income	(37,971)	1,621	(25,332)	103,596	22,810	126,405
Dividends from surplus	-	-	-	(44,823)	(9,606)	(54,429)
Acquisition of treasury shares	-	-	-	(100,033)	-	(100,033)
Reissuance of treasury shares	-	-	-	1	-	1
Share-based payments	-	-	-	116	31	147
Changes in the ownership interest of a subsidiary without a loss of control	1	-	1	17	118	135
Transfer from reserves to retained earnings	-	-	(16,916)	-	-	-
Other	-	-	-	-	(15)	(15)
Total transactions with owners of the Company	1	-	(16,915)	(144,722)	(9,472)	(154,194)
Balance at September 30, 2018	(65,321)	(410)	1,893	916,702	284,649	1,201,351

#### (4) NOTES TO CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS (GOING CONCERN ASSUMPTION)

There are no matters to report under this item.

#### (SUBSEQUENT EVENTS)

(Commencement of a sale process regarding shares of a subsidiary)

The Company has commenced a sale process for Lion-Dairy and Drinks (hereafter, "LDD") in October 2018.

##### (1) Reasons for the commencement of a sale process

In order for LDD to transform the current stage of its efficiency improvement into the next stage of driving growth across its nutritional food and beverages portfolio, further investment and capital allocation are needed, along with new capabilities.

At the same time, in order to maximize the business value of Lion Pty Ltd (hereafter, "Lion") as well as the shareholder's value of the Company, we recognize we should prioritize accelerating investment in the higher-margin and high-growth craft beer category in Oceania and global markets, along with Lion's emerging premium crafted beverage portfolio in Oceania, where we have ample growth opportunities.

Based on the above, we have made the decision to launch a sale process to find a new owner who is better placed to unlock LDD's full potential.

The sale will not impact Lion's alcohol businesses in Australia and New Zealand.

##### (2) Outline of the sale

Transfer Stock	100% of LDD shares
Sale Value	Not yet determined
Transferee	Not yet determined

##### (3) Overview of LDD

Business Name	Lion-Dairy and Drinks Pty Ltd	
Address	Melbourne, Victoria, Australia	
Title and Name of Representative	Managing Director: Kathy Karabatsas	
Business	Sales and manufacturing of dairy products and beverages in Asia Pacific	
Share Capital	Approx. AUD 552 million (Approx. 45.8 billion yen <sup>(Note)</sup> )	
Establishment	1991 (as National Foods Limited)	
Large Shareholder & Stockholding Ratio	Lion Pty Ltd 100.0%	
Relationship with the Company	Capital relationship	LDD is a wholly-owned subsidiary of the Company (wholly-owned subsidiary of Lion)
	Personnel relationship	There is no direct personnel relationship (employees of the Company are members of Lion's Board of the Directors)
	Business relationship	There is no direct business relationship (the Company provides long/short term loans and management services to Lion)

Note: Calculated with the exchange rate of 1 Australian dollar = 83.00 yen

##### (4) Other matters

In accordance with the commencement of the sale process, the Company's internal monitoring unit and unit for impairment testing of goodwill have been changed. As a result, the carrying amount of goodwill was proportionately allocated by the relative values of the cash-generating units after the change. The commencement of the sale process is not expected to impact the Company's condensed quarterly consolidated financial statements for the nine months ended September 30, 2018.

The impact of the potential sale of the subsidiary on the future outlook and financial results is unknown at the moment.

**(OTHER)**

(Settlement of the provisional accounting treatment related to the acquisition of a business)The Coca-Cola Bottling Company of Northern New England, Inc. acquired a business from Coca-Cola Refreshments USA, Inc. during the three months ended September 30, 2017. This acquisition of the business was accounted based on the provisional amounts, as the purchase price allocation had not been completed at the date of the acquisition. During the three months ended September 30, 2018, the Coca-Cola Bottling Company of Northern New England has received the reimbursement, adjusted the acquisition cost, and the valuation has been completed. Based on the completed valuation, the provisional amounts of property, plant and equipment, goodwill and intangible assets etc. have been revised retroactively.



**Supplementary Documents to  
the Consolidated Financial Statements  
for the Nine Months Ended September 30, 2018**

1. Condensed Consolidated Statement of Financial Position
2. Condensed Consolidated Statement of Profit or Loss, Indices, etc.
3. Revenue Details
4. Profit Details

**KIRIN HOLDINGS COMPANY, LIMITED  
November 6, 2018**

# 1. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(¥ billions)

	As of September 30, 2018, Actual	As of December 31, 2017, Actual	Increase (decrease)	Description of changes
Non-current assets	1,492.6	1,526.4	(33.8)	
Property, plant and equipment	531.6	551.2	(19.6)	
Goodwill	251.9	260.4	(8.5)	
Intangible assets	183.7	182.9	0.8	
Equity-accounted investees	227.5	210.8	16.7	
Other	297.9	321.1	(23.2)	
Current assets	790.0	872.2	(82.2)	
Inventories	214.6	195.1	19.5	
Trade and other receivables	368.2	402.3	(34.1)	
Cash and cash equivalents	172.7	160.9	11.8	
Other	34.5	113.9	(79.3)	Decrease due to sale of non-current assets held for sale, etc.
Total assets	2,282.6	2,398.6	(116.0)	
Equity	1,201.4	1,229.1	(27.8)	
Equity attributable to owners of the Company	916.7	957.8	(41.1)	
Non-controlling interests	284.6	271.3	13.3	
Non-current liabilities	560.5	556.5	4.0	
Bonds and borrowings	369.1	362.6	6.5	
Other	191.4	193.8	(2.4)	
Current liabilities	520.7	613.0	(92.2)	
Bonds and borrowings	74.0	123.9	(49.8)	Decrease due to repayment and redemption, etc.
Trade and other payables	204.7	224.3	(19.5)	
Other	242.0	264.8	(22.9)	
Total liabilities	1,081.2	1,169.4	(88.2)	
Total equity and liabilities	2,282.6	2,398.6	(116.0)	

\* In accordance with the settlement of the provisional accounting treatment related to the acquisition of a business conducted in the fiscal year ended December 31, 2017, the financial figures for that year have been revised retroactively. (The same applies hereafter in "Supplementary Documents".)

## **2. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS. INDICES. etc.**

### (1) Condensed Statement of Profit or Loss, Indices, etc.

(¥ billions)

	Nine months ended September 30, 2018, Actual	Nine months ended September 30, 2017, Actual	Increase (decrease)	
Revenue	1,420.7	1,355.3	65.4	4.8%
Gross profit	614.1	594.0	20.1	3.4%
Selling, general and administrative expenses	466.9	445.0	21.8	4.9%
Normalized operating profit	147.2	149.0	(1.7)	(1.1%)
Other operating income	28.5	39.2	(10.7)	(27.3%)
Other operating expenses	15.7	16.8	(1.1)	(6.7%)
Operating profit	160.1	171.3	(11.3)	(6.6%)
Finance income	3.9	3.4	0.5	15.7%
Finance costs	5.9	8.0	(2.1)	(26.5%)
Share of profit of equity-accounted investees	20.8	21.6	(0.8)	(3.7%)
Gain on sale of equity-accounted investees	19.8	2.4	17.3	710.3%
Profit before tax	198.7	190.7	7.9	4.2%
Income tax expense	42.8	38.7	4.1	10.5%
Profit from continuing operations	155.9	152.0	3.8	2.5%
Profit from discontinued operations	-	81.8	(81.8)	-
Profit	155.9	233.8	(77.9)	(33.3%)
Owners of the Company	128.9	217.2	(88.2)	(40.6%)
Non-controlling interests	26.9	16.6	10.3	61.9%
Normalized EPS	¥122	¥125	(¥3)	(2.4%)
Revenue (excluding liquor tax)	1,205.6	1,143.7	61.9	5.4%
Normalized operating profit ratio (excluding liquor tax)	12.2%	13.0%		
Normalized EBITDA	205.6	205.7	(0.2)	(0.1%)

Normalized EPS = Normalized profit / Average number of shares outstanding during period

Normalized profit = Profit attributable to Owners of the Company ± Other operating income and expenses and other items after income taxes

Normalized EBITDA = Normalized operating profit + Depreciation and amortization + Dividends received from equity-accounted investees

(2) Exchange Rate for the Consolidation of Profit or Loss of the Major Overseas Companies

(¥)

	Nine months ended September 30, 2018, Actual	Nine months ended September 30, 2017, Actual
Lion (AUD)	82.64	86.17
Myanmar Brewery (MMK ('000))	78.46	82.22

(3) Period for the Consolidation of Profit or Loss of the Major Overseas Company

	Nine months ended September 30, 2018, Actual	Nine months ended September 30, 2017, Actual
San Miguel Brewery	From October 2017 to June 2018	From October 2016 to June 2017

### 3. REVENUE DETAILS

(1) Revenue Details

(¥ billions)

	Nine months ended September 30, 2018, Actual	Nine months ended September 30, 2017, Actual	Increase (decrease)	
Revenue	1,420.7	1,355.3	65.4	4.8%
Japan Integrated Beverages	795.9	778.6	17.3	2.2%
Kirin Brewery	492.1	479.4	12.7	2.6%
Kirin Beverage	215.0	216.5	(1.5)	(0.7%)
Mercian	44.3	44.8	(0.5)	(1.1%)
Other and elimination	44.5	37.8	6.7	17.6%
Overseas Integrated Beverages	364.0	306.8	57.2	18.6%
Lion	237.7	249.3	(11.6)	(4.6%)
Beer, Spirits, and Wine	129.6	136.5	(7.0)	(5.1%)
Dairy and Drinks	108.2	112.8	(4.6)	(4.1%)
Myanmar Brewery	19.8	18.1	1.7	9.2%
Other and elimination	106.5	39.4	67.1	170.0%
Pharmaceuticals and Bio-chemicals	248.9	256.6	(7.7)	(3.0%)
Kyowa Hakko Kirin	254.5	261.8	(7.4)	(2.8%)
Pharmaceuticals	196.9	202.3	(5.4)	(2.7%)
Bio-chemicals	57.5	59.5	(2.0)	(3.4%)
Other and elimination	(5.5)	(5.2)	(0.3)	-
Other	11.9	13.3	(1.3)	(9.9%)

(Reference) Revenue excluding liquor tax

(¥ billions)

	Nine months ended September 30, 2018, Actual	Nine months ended September 30, 2017, Actual
Kirin Brewery	287.8	276.9

(2) Sales Volume Details of Major Business Company

a. Kirin Beverage Group

	Nine months ended September 30, 2018, Actual		Nine months ended September 30, 2017, Actual	
	Actual	Increase (decrease)	Actual	Increase (decrease)
Category	10,000 cases		10,000 cases	
Black tea	3,707	(3.0%)	3,823	2.1%
Japanese tea	2,643	11.2%	2,378	10.1%
Coffee	1,896	(13.3%)	2,186	(2.5%)
Fruit and vegetable juice	1,982	3.4%	1,916	(9.3%)
Carbonated beverage	1,682	(1.0%)	1,699	(8.8%)
Functional beverage	1,015	22.1%	831	22.1%
Water	3,350	8.5%	3,086	(4.2%)
Other	1,460	4.3%	1,399	(9.7%)
Total	17,735	2.4%	17,318	(1.5%)
Container Type				
Can	2,601	(9.2%)	2,863	(3.3%)
Large-sized PET bottles (2L, 1.5L, etc.)	6,117	4.5%	5,852	(0.2%)
Small-sized PET bottles (500ml, 280ml, etc.)	7,312	4.7%	6,985	(0.8%)
Other	1,705	5.3%	1,618	(5.2%)
Total	17,735	2.4%	17,318	(1.5%)

## 4. PROFIT DETAILS

### (1) Normalized Operating Profit Details

	(¥ billions)		
	Nine months ended September 30, 2018, Actual	Nine months ended September 30, 2017, Actual	Increase (decrease)
Normalized operating profit	147.2	149.0	(1.7)
Japan Integrated Beverages	62.4	59.1	3.4
Kirin Brewery	58.6	52.3	6.3
Kirin Beverage	20.7	21.9	(1.2)
Mercian	1.1	2.3	(1.2)
Others *	(17.9)	(17.4)	(0.5)
Overseas Integrated Beverages	42.6	45.6	(3.0)
Lion	31.7	35.9	(4.2)
Beer, Spirits, and Wine	34.5	37.1	(2.6)
Dairy and Drinks	2.4	3.5	(1.1)
Corporate	(5.2)	(4.7)	(0.6)
Myanmar Brewery	8.2	6.8	1.4
Others	2.7	2.8	(0.1)
Pharmaceuticals and Bio-chemicals	45.6	47.8	(2.2)
Kyowa Hakko Kirin	45.6	47.8	(2.2)
Pharmaceuticals	39.2	42.4	(3.1)
Bio-chemicals	6.0	5.2	0.8
Others	0.4	0.3	0.1
Other	0.3	0.9	(0.6)
Corporate expenses/inter-segment eliminations	(3.7)	(4.4)	0.7

\* Including expenses of the holding company and profit (loss) of other subsidiaries.

## (2) Normalized Operating Profit Breakdown of Major Business Companies

(¥ billions)

Company name	Major factors	Increase (decrease)	Description
Kirin Brewery	Increase in marginal profit of alcohol beverages, etc.	3.1	Total beer products 2 Sales decrease in beer (26) thousand KL Sales decrease in <i>happo-shu</i> (25) thousand KL Sales increase in new genre 107 thousand KL Total other than beer products 1.6 Sales increase in RTD 27 thousand KL Sales decrease in non-alcohol beverages (2) thousand KL, etc. Difference of change in composite of products, etc. (0.6)
	Decrease in raw material cost	0.6	
	Decrease in selling expenses	3.8	Decrease in sales promotion 5.4, increase in advertising (1.6) (Total 51.8→48.0)
	Increase in other expenses	(1.2)	Increase in supplies expenses, increase in electric cost and fuel cost, etc.
Total		6.3	
Kirin Beverage	Decrease in marginal profit of soft drink beverages	(2.4)	Increase in sales volume 4.17 million cases, 2.1 Difference of change in products mix and in composition ratio of containers, etc. (4.5)
	Decrease in raw material cost, etc.	0.6	Decrease in raw material cost 0.4, increase in material cost (0.4), decrease in processing cost 0.7
	Decrease in selling expenses	0.9	Decrease in sales promotion 0.4, decrease in advertising 0.5 (Total 26.3→25.4)
	Increase in other expenses	(0.3)	Increase in depreciation of vending machines, etc.
Total		(1.2)	

## (3) Other Operating Income and Other Operating Expenses

(¥ billions)

	Nine months ended September 30, 2018, Actual	Nine months ended September 30, 2017, Actual	Increase (decrease)
Other operating income	28.5	39.2	(10.7)
Gain on sale of shares of subsidiaries	12.1	2.4	9.7
Gain on sale of property, plant and equipment and intangible assets	11.2	33.3	(22.1)
Gain on reversal of impairment losses	3.4	-	3.4
Other	1.9	3.5	(1.6)
Other operating expenses	15.7	16.8	(1.1)
Software development expenses	6.0	3.7	2.3
Business restructuring expenses	2.2	5.1	(2.9)
Loss on disposal and sale of property, plant and equipment and intangible assets	1.1	0.9	0.2
Other	6.4	7.1	(0.8)

(4) Finance Income, Finance Costs, Share of Profit of Equity-accounted Investees, etc.

(¥ billions)

	Nine months ended September 30, 2018, Actual	Nine months ended September 30, 2017, Actual	Increase (decrease)
Finance income	3.9	3.4	0.5
Interest income	1.5	1.2	0.3
Dividend income	2.2	2.0	0.2
Other	0.2	0.2	0.1
Finance costs	5.9	8.0	(2.1)
Interest paid	4.7	4.9	(0.2)
Foreign exchange losses (net)	0.8	2.7	(1.9)
Other	0.5	0.4	0.0
Share of profit of equity-accounted investees	20.8	21.6	(0.8)
San Miguel Brewery	18.5	15.8	2.7
Others	2.4	5.8	(3.5)
Gain on sale of equity-accounted investees	19.8	2.4	17.3