



KIRIN

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Kirin Group Financial Results for the 1Q 2019

May 9, 2019

Kirin Holdings Company, Limited

Financial result summary

- Consolidated Revenue was +0.7% and consolidated Normalized OP was -0.6% YoY.
- Consolidated Normalized OP progressed steadily in line with the full-year forecast.
- Profit attributable to owners of the parent was -40.8 bn yen due to the impact of recording an impairment loss of 57.1 bn yen in 1Q after the revaluation of the asset value of Lion Dairy and Drinks (LDD) business, announced on April 26.

Revised forecast (announced on April 26)

- The full-year forecasts have been revised, announced on April 26, due to recognizing an impairment loss of 57.1 bn yen.
- The impairment loss has no impact on Normalized EPS, and therefore dividend forecasts are unchanged.

2019 1Q Results

Normalized OP is on track to meet the full-year forecasts. Impairment loss of 57.1 bn yen was recorded in 1Q.

(Billions of yen = bn yen)	1Q 2019 Actual	1Q 2018 Actual ^{*1}	YoY	%
Revenue	434.3	431.2	3.1	0.7%
Normalized OP ^{*2}	36.9	37.1	-0.2	-0.6%
Profit before tax	-26.0	74.6	-100.6	-
Profit attributable to owners of the Company	-40.8	50.1	-90.8	-

- 1Q 2019 results Include the impairment loss of 57.1 bn yen
- 1Q 2018 Include the gain on sale of shares in Kirin Amgen

Quantitative target

	1Q 2019 Actual	1Q 2018 Actual ^{*1}	YoY	%
Normalized EPS ^{*3}	25 yen	29 yen	-4 yen	-13.8%

Financial Indicators (Reference)

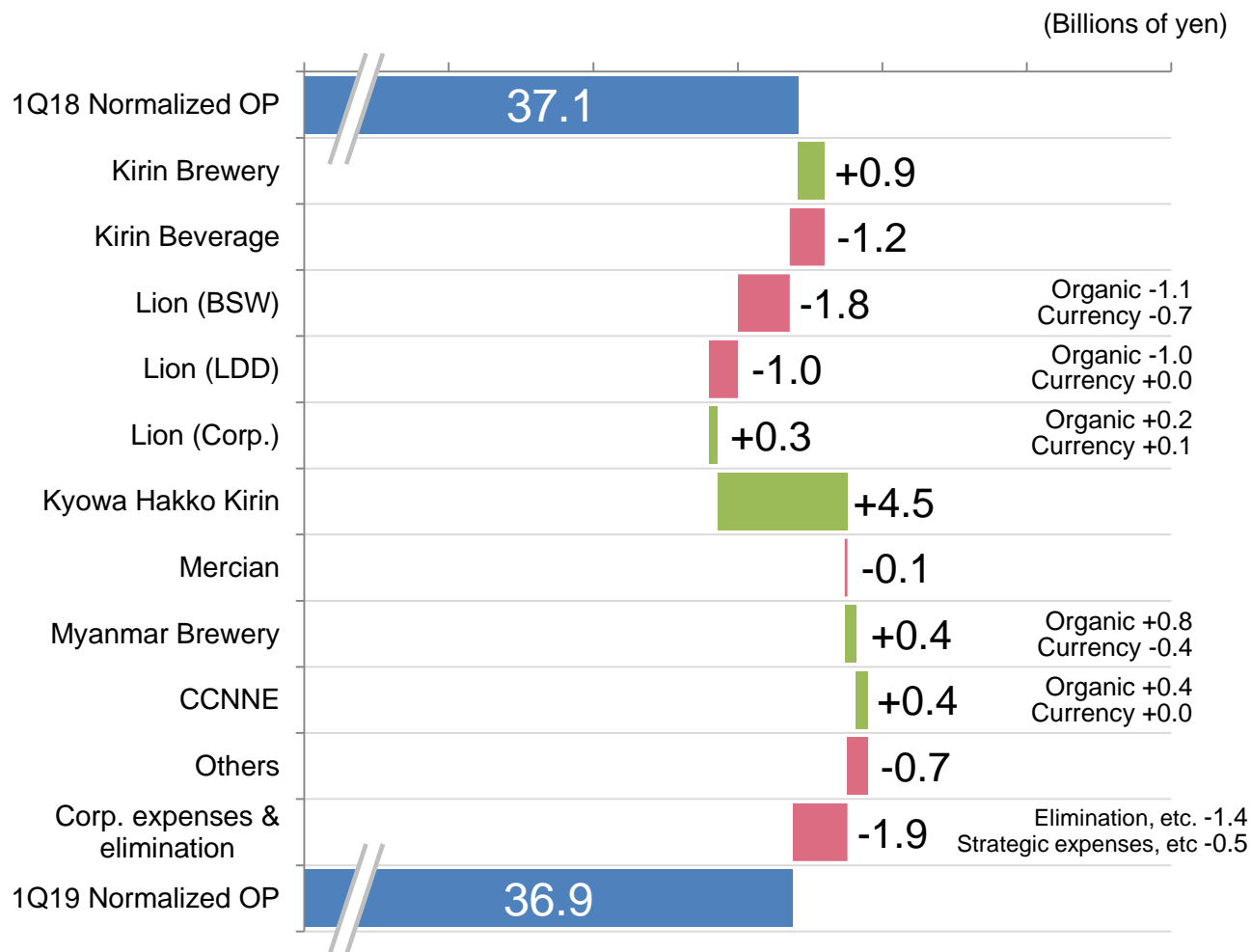
	1Q 2019 Actual	1Q 2018 Actual ^{*1}	YoY	%
EPS	-46.42 yen	54.86 yen	-101.28 yen	-

^{*1} 2018 1Q results have been retroactively revised when 2018 3Q results were announced in accordance with the settlement of the provisional accounting treatment related to the acquisition of a business (CCNNE) conducted in the fiscal year ended December 31, 2017.

^{*2} A profit indicator for measuring recurring performance which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

^{*3} See page 19 for details.

Performances of Kyowa Hakko Kirin and Kirin Brewery were firm, while Lion's OP decreased from the previous year.



LDD including the cheese business remains consolidated on full-year basis while announcement has been made to sell the business.

Kyowa Hakko Kirin indicates the total of the pharmaceuticals and bio-chemicals businesses.

Description

Kirin Brewery

- Marginal profits declined, but normalized OP increased YoY due to a decrease in fixed costs, etc.

Kirin Beverage

- Container mix deteriorated, but marginal profit increased due to higher sales volume and changes to Tropicana sales scheme; Normalized OP decreased because of an increase in selling expenses, etc.

Lion Beer, Spirits, and Wine (BSW)

- Introduction of container deposit scheme (CDS) and difference in Easter timing reduced sales volume and negatively affected Normalized OP.

Lion Dairy and Drinks (LDD)

- OP decreased due to soaring milk prices, etc.

Kyowa Hakko Kirin

- Revenue of pharmaceuticals in Japan and overseas increased, leading to increased OP.

Myanmar Brewery

- The impact of increased sales volume was larger than of the mix deterioration and cost increase.

Corporate expenses / eliminations

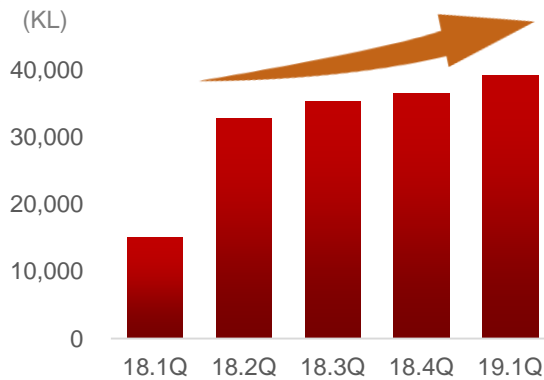
- In line with the plan. The corporate expenses that used to be directly charged on Kirin Brewery: -0.6 bn yen; Kirin Beverage: -0.2 bn yen.

Kirin Brewery

Robust start toward stronger brands and firm profit base

Achieving top-line growth

Continued greater performance of *Honkirin*



Kirin Ichiban limited edition, *Cho Hojun*, launched nationwide for the customer base expansion (launched in March 2019)



2Q Topics

新・一番搾り

Thirty years since its launch
Renewal
Manufacturing from early April



Growth in the beer category

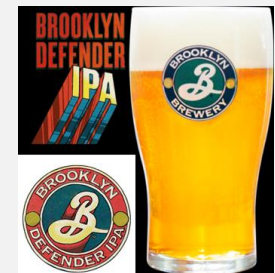
Five brands added to Tap Marché



KONISHI

2Q Topics

April 22
Brooklyn DEFENDER IPA to be offered by Tap Marché



Kirin Beverage

Achievements and challenges for “build a robust brand portfolio”

- Sugar-free and low-sugar offerings including *Gogo-no-Kocha* and *Nama-cha* brands strengthened, and sales volume of small PET products in line with the plan.
- Sales volume of *FIRE* below the plan; aim at maximizing the sales volume of *FIRE ONEDAY BLACK* launched on April 2.

Build a robust brand portfolio

Sugar-free and low-sugar offerings well accepted

- Strong performance resulted from the strategy to focus on sugar-free and healthy brands
- Core brands contributed to the achievement of 1Q targets in both volumes and sales of small PET products.



2Q Topics

Build a robust brand portfolio



Decrease in small cans

600ml PET coffee
FIRE ONEDAY BLACK
to be added to FIRE brand toward the
target of sales volume increase



Further improvement of profitability

Renewal of *Kirin Lemon* in April

- Strengthen digital communication featuring *Kirin Lemon* original songs.
- Increase in sales volume of small PET products are also expected.



Lion

Slower 1Q 2019 sales but solid progress on growth strategy

Build our brands to grow the core

Beer

- Slower 1Q sales in beer impacted by CDS, stronger 4Q FY2018 customer orders and timing of the Easter selling period.
- We continue to invest in building our brands to grow the core.
- New innovation for Hahn, in the contemporary category, was launched and has been a collaboration between Lion and Kirin Brewery.



Iron Jack +19%

Furphy +53%

Accelerate new avenues for growth

Build a leading Global Craft Business

Craft Beer



30 March
Magic Rock Brewing

Craft Spirits



22 March
Four Pillars

5 April
Vanguard
(Distributor)

Wine



28 March
TEXTBOOK

Premium Adult Beverages



26 March
Teza Iced Teas (NZ)

Kyowa Hakko Kirin

On track toward full-year forecasts both in Japan and overseas

Global products

Drug to treat X-linked hypophosphatemia (XLH)

KRN23/ brosmab

Crysvita

- Steady sales in Europe and North America
- Plan to expand the indications for adults in Europe in the future.

Medicine to treat hematologic cancer

KW-0761/ mogamurizumab

Poteligeo

- Strong sales in the U.S.
- Steady progress against full-year sales forecast of 10 bn yen.

Drugs for Parkinson's disease

KW-6002/ Istre Defirin

Nourist (product name in Japan)

- Re-application for approval accepted by the U.S. Food and Drug Administration
※ Announced on April 4, 2019

Kyowa Hakko Bio

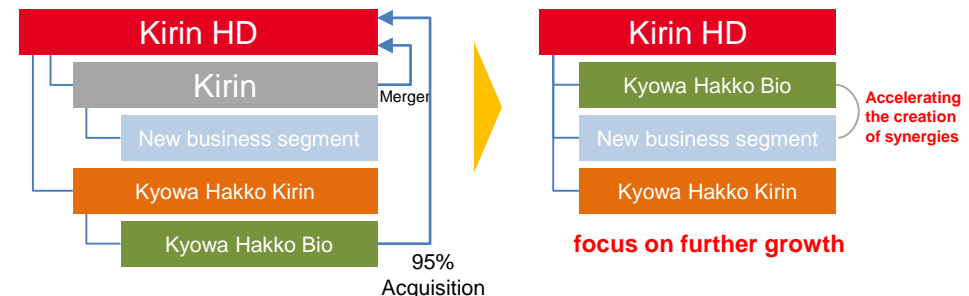
Kirin Holdings acquired shares from Kyowa Hakko Kirin

February 5, 2019

Kirin Holdings announced the acquisition of 95% of the shares in Kyowa Hakko Bio

April 24, 2019

Completion of share transfer



Appendix

(Reference) Revised Forecast (announced on April 26)

Full-year forecast revised following the impairment of LDD. No changes to the dividend forecast.

- Announced on April 26 the impairment loss, transfer part of the subsidiary business and revision of consolidated forecast for the fiscal year ending December 2019
- Impairment loss of 57.1 bn yen was recorded in 1Q due to the revaluation of asset value of LDD, resulting in the revision to full-year forecast.
- The impairment loss has no impact on normalized EPS, and therefore dividend forecasts are unchanged.

(Bn yen)	2019 Revised Forecast	2019 Initial Forecast	Difference	%	2018 Actual
Revenue	2,000.0	2,000.0	-	-	1,930.5
Normalized OP	190.0	190.0	-	-	199.3
Profit before tax	132.9	190.0	-57.1	-30.1%	246.9
Profit attributable to owners of the Company	62.9	120.0	-57.1	-47.6%	164.2

Quantitative target

	2019 Revised Forecast	2019 Initial Forecast	Difference	%	2018 Actual
Normalized EPS	157 yen	157 yen	-	-	167 yen

Financial Indicators (Reference)

	2019 Revised Forecast	2019 Initial Forecast	Difference	%	2018 Actual
EPS	71.64 yen	136.67 yen	-65.03 yen	-47.6%	183.57 yen

News Release on 26 April:

<https://www.kirinholdings.co.jp/english/ir/library/explain/>

Revenue by Segment

(bn yen)	1Q 19 Actual	1Q 18 Actual	YoY	%
Revenue	434.3	431.2	3.1	0.7%
Japan Beer and Spirits	139.9	138.9	1.0	0.7%
Kirin Brewery	136.3	135.4	0.9	0.6%
Other and elimination	3.6	3.5	0.1	3.1%
Japan Non-alcoholic Beverages	58.7	59.1	-0.5	-0.8%
Kirin Beverage	59.1	59.5	-0.4	-0.6%
Elimination	-0.4	-0.4	-0.1	-
Oceania Integrated Beverages	73.5	83.0	-9.4	-11.4%
Lion	73.5	83.0	-9.4	-11.4%
Beer, Spirits, and Wine	39.8	46.3	-6.4	-13.9%
Dairy and Drinks	33.7	36.7	-3.0	-8.2%
Elimination	-0.0	-0.0	-0.0	-
Pharmaceuticals and Bio-chemicals	92.5	83.1	9.4	11.3%
Pharmaceuticals (Kyowa Hakko Kirin)	75.6	66.2	9.4	14.2%
Bio-Chemicals (Kyowa Hakko Bio)	18.5	18.7	-0.1	-0.8%
Elimination	-1.6	-1.7	0.1	-
Other	69.8	67.1	2.7	4.0%
Mercian	14.1	13.9	0.2	1.6%
Myanmar Brewery	9.1	7.7	1.4	17.9%
CCNNE	29.8	28.9	0.9	3.1%
Other and elimination	16.7	16.6	0.2	1.0%

Normalized OP by Segment

(bn yen)	1Q 19 Actual	1Q 18 Actual	YoY	%
Normalized OP	36.9	37.1	-0.2	-0.6%
Japan Beer and Spirits	12.2	11.4	0.8	7.2%
Kirin Brewery	11.8	10.9	0.9	8.0%
Others	0.4	0.4	-0.1	-12.8%
Japan Non-alcoholic Beverages	2.8	3.9	-1.2	-29.2%
Kirin Beverage	2.8	3.9	-1.2	-29.2%
Oceania Integrated Beverages	8.5	10.9	-2.4	-22.3%
Lion	8.5	10.9	-2.4	-22.3%
Beer, Spirits, and Wine	10.2	12.0	-1.8	-14.7%
Dairy and Drinks	-0.1	0.9	-1.0	-
Corporate	-1.7	-2.0	0.3	-
Pharmaceuticals and Bio-chemicals	18.3	14.9	3.5	23.3%
Pharmaceuticals (Kyowa Hakko Kirin)	17.5	13.0	4.5	34.5%
Bio-Chemicals (Kyowa Hakko Bio)	0.6	1.2	-0.6	-47.4%
Others	0.2	0.7	-0.5	-70.8%
Other	4.8	3.8	1.0	26.7%
Mercian	-0.1	0.0	-0.1	-
Myanmar Brewery	3.9	3.5	0.4	12.0%
CCNNE	0.0	-0.4	0.4	-
Others	0.9	0.7	0.3	37.1%
Corporate expenses/inter-segment eliminations	-9.7	-7.8	-1.9	-

1Q 2019 Results: Kirin Brewery



Sales Volume (1,000 KL)	1Q 19 Actual	1Q 18 Actual	YoY change
Beer products total	349	340	2.7%
Beer	111	127	-13.2%
Happo-shu	84	91	-7.9%
New genre	155	122	27.3%
RTD	81	70	15.3%
Non-alcohol beverages	7	8	-5.6%

(bn yen)	1Q 19 Actual	1Q 18 Actual	YoY	%
Revenue	136.3	135.4	0.9	0.6%
Revenue excl. liquor tax	80.0	78.3	1.6	2.1%
Normalized OP	11.8	10.9	0.9	8.0%

1Q 2018 Normalized OP (bn yen)		10.9	Main contents
YoY change (bn yen)	Decrease in marginal profit of alcohol beverages, etc.	-0.8	Total of beer products -1.2 bn yen (decrease in beer -17,000 kl, decrease in <i>happo-shu</i> -7,000 kl, increase in new genre +33,000 kl) Total other than beer products +0.8 bn yen (increase in RTD +11,000 kl, decrease in non-alcohol -0,000 kl) Differences of change in composition of products, etc. -0.4 bn yen
	Decrease in raw material cost	0.3	
	Decrease in selling expenses	0.3	Decrease in sales promotion expenses +0.6 bn yen, increase in advertising expenses -0.3 bn yen (total 14.1 bn yen → 13.8 bn yen)
	Decrease in other expenses	1.1	Decrease in allocated corporate expenses +0.6 bn yen, etc.
	Total	0.9	
1Q 2019 Normalized OP		11.8	

Market

- The beer market is trending slightly downward by Kirin's estimates of -0.4%.
- Vitalization of new genre categories due to strengthened sales promotions by each company. There are some changes in consumer preference to new genre.
- The market for low-alcoholic beverages, including RTDs, grew by about 2%.

Description

Sales volume

- Beer -13.2% due to a reversal of temporary demand for returnable container products following a price revision in April last year.
- *Honkirin* from new genre category, which was launched in March last year, remained strong and achieved a significant increase.

Supplementary Information

- Marginal profit fell by -0.8 bn yen YoY due to lower marginal profit led by lower beer sales volume and a deterioration in product mix due to higher transportation and variable sales promotion expenses.

1Q 2019 Results: Kirin Beverage



Sales Volume (10,000 cases)		1Q 19 Actual	1Q 18 Actual	YoY
Category	Black tea	1,341	1,247	7.5%
	Japanese tea	707	654	8.0%
	Coffee	565	665	-15.0%
	Fruit and vegetable juice	500	541	-7.6%
	Carbonated beverages	383	344	11.2%
	Functional beverages	181	202	-10.3%
	Water	892	852	4.7%
	Others	299	298	0.1%
By container	Can	735	827	-11.1%
	Large PET bottle	1,639	1,551	5.7%
	Small PET bottle	2,088	1,964	6.3%
	Others	406	462	-12.2%
Total		4,868	4,804	1.3%

(bn yen)	1Q 19 Actual	1Q 18 Actual	YoY	%
Revenue	59.1	59.5	-0.4	-0.6%
Normalized OP	2.8	3.9	-1.2	-29.2%

1Q 2018 Normalized OP (bn yen)		3.9	Description
YoY change (bn yen)	Increase in marginal profit	0.5	Increase in sales volume +640,000 cases, +0.3 bn yen. Difference of change in product mix and in composition ratio of containers etc. +0.2 bn yen
	Increase in raw material cost, etc.	-0.5	Decrease in raw material cost +0.1 bn yen, increase in material cost -0.3 bn yen, and increase in processing cost -0.3 bn yen
	Increase in selling expenses	-1.1	Increase in sales promotion expenses -0.5 bn yen, increase in advertising expenses -0.6 bn yen (total 6.2 bn yen → 7.4 bn yen)
	Increase in other expenses	-0.1	Decrease in allocated corporate expenses +0.2 bn yen, increase in depreciation of vending machines, etc.
Total		-1.2	
1Q 2019 Normalized OP		2.8	

Soft drinks markets

- ▶ The Soft drinks market in 1Q remained unchanged at ±0% YoY.

Description

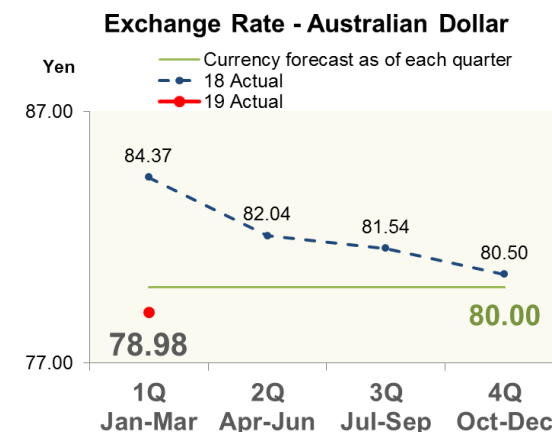
Sales volume

- ▶ *Gogo-no-Kocha* brand increased due to a sharp increase in sales of *Oishii Mutou* and strong sales of *The Meister's Milk Tea*, which was launched in March.
- ▶ Decreased sales of SOT cans, which account for the majority of the coffee brand *FIRE*.
- ▶ Increased sales of *Nama-cha* brand and large PET in the water category.

Supplementary Information

- ▶ Difference of change in product mix and in composition ratio of containers etc.:
 - Container mix worsened
 - Unit price of marginal profit is up due to change in sales scheme of *Tropicana*. (Negative impact on fixed costs such as selling expenses)
- ▶ Advertising expenses: Strengthened promotion for *Gogo-no-Kocha* brand, etc.

	Yen base (bn yen)				Australian dollar base (million AUS\$)			
	1Q 19 Actual	1Q 18 Actual	YoY	%	1Q 19 Actual	1Q 18 Actual	YoY	%
Revenue	73.5	83.0	-9.4	-11.4%	931	983	-52	-5.3%
BSW	39.8	46.3	-6.4	-13.9%	505	548	-44	-8.0%
LDD	33.7	36.7	-3.0	-8.2%	427	435	-9	-2.0%
Normalized OP	8.5	10.9	-2.4	-22.3%	107	129	-22	-17.0%
BSW	10.2	12.0	-1.8	-14.7%	129	142	-13	-8.9%
LDD	-0.1	0.9	-1.0	-	-1	10	-12	-
Corp.	-1.7	-2.0	0.3	-	-21	-23	2	-



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

	BSW	LDD
Change in sales volume	-14.0%	-1.2%

Normalized OP YoY Australian dollars	1Q 18 Actual	142	10
	Change in sales volume	-35	-0
	Other	22	-11
	1Q 19 Actual	129	-1

Description

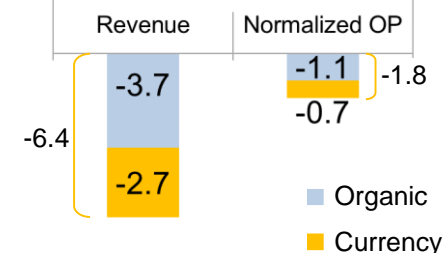
Beer, Spirits & Wine (BSW)

- Revenue and normalized operating profit decreased due to the commencement of the QLD CDS scheme and the timing of a key selling period, Easter, which falls in Q2 in F19, as well as the stronger Q4 FY2018 customer orders.

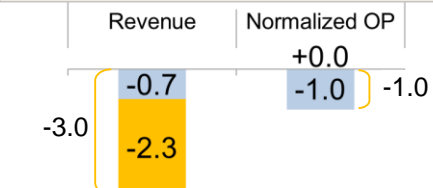
Diary and Drinks (LDD)

- Revenue and normalized operating profit was down due to the continuing impact of extreme weather, including the one in 100-year drought, on the cost and availability of milk across most dairy regions in Australia.

Impact of Currency BSW (bn yen)



Impact of Currency LDD (bn yen)



(bn yen)	1Q 19 Actual	1Q 18 Actual	YoY	%
Revenue	92.5	83.1	9.4	11.3%
Pharmaceuticals (Kyowa Hakko Kirin)	75.6	66.2	9.4	14.2%
Bio-chemicals (Kyowa Hakko Bio)	18.5	18.7	-0.1	-0.8%
Elimination	-1.6	-1.7	0.1	-
Normalized OP	18.3	14.9	3.5	23.3%
Pharmaceuticals (Kyowa Hakko Kirin)	17.5	13.0	4.5	34.5%
Bio-chemicals (Kyowa Hakko Bio)	0.6	1.2	-0.6	-47.4%
Others	0.2	0.7	-0.5	-70.8%

Description

Revenue

- In the Pharmaceuticals business, for the domestic market, despite the impact of the NHI drug price reductions in April 2018 and the market penetration of generics, revenue increased YoY due to growth in sales of new products, etc.
- Overseas sales increased due to strong market penetration of new products such as Crysvita.
- Revenue from technology licensing-out declined as a result of the absence of a one-time gain related to venlarizumab recorded last year.
- In the Bio-chemicals business, sales of the mainstay amino acids increased overseas, but revenue decreased slightly due to the impact of foreign exchange rates compared to the same period of the previous fiscal year.

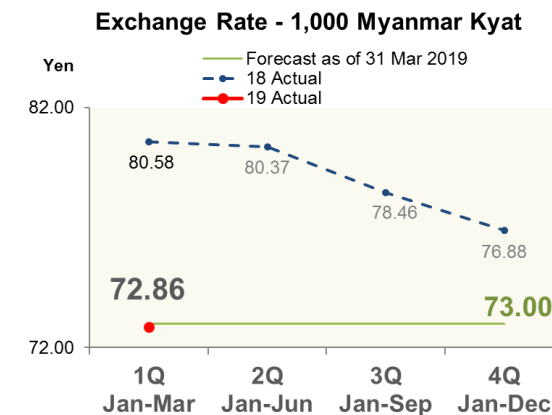
Normalized OP

- In the Pharmaceuticals business, SG&A expenses increased due to an increase in sales and launch preparation expenses for overseas drugs.
- R&D expenses increased by 1.7 bn yen YoY due in part to the impact of the clinical trials in KHK4083 and RTA402 that started in 2018.
- Normalized OP increased by 4.5 bn yen mainly due to increased revenue in both domestic and overseas.
- In the Bio-chemicals business, Normalized OP decreased YoY due to concentrated investment in sales promotion in the mail-order business.

1Q 2019 Results: Myanmar Brewery

	Yen base (bn yen)			
	1Q 19 Actual	1Q 18 Actual	YoY	%
Revenue	9.1	7.7	1.4	17.9%
Normalized OP	3.9	3.5	0.4	12.0%

	Kyat base (bn MMK)			
	1Q 19 Actual	1Q 18 Actual	YoY	%
Revenue	125	96	29	30.4%
Normalized OP	54	43	10	23.9%



Description

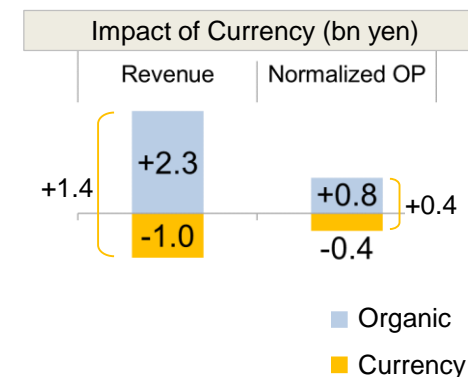
(%)	YoY change
Beer	+13.1%

Sales volume

- Sales volume increased for the mainstay *Myanmar Beer* brand and the *Andaman Gold* brand in the economy category, which continues to grow.
- Achieved a volume increase equal to or exceeding that of the market despite focused sales promotion from each company in 1Q, which is the peak season.

Supplementary Information

- Revenue saw a sharp increase in sales due to the impact of the price hike in January.
- Growth rate of Normalized OP fell below the revenue growth rate due to a worsening mix and rising costs, but profit surged thanks to higher sales volume.

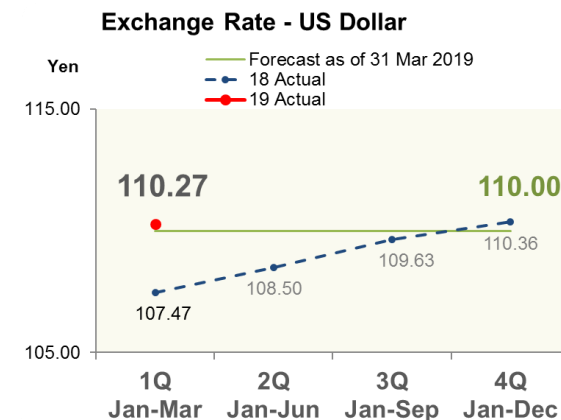


1Q 2019 Results:

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

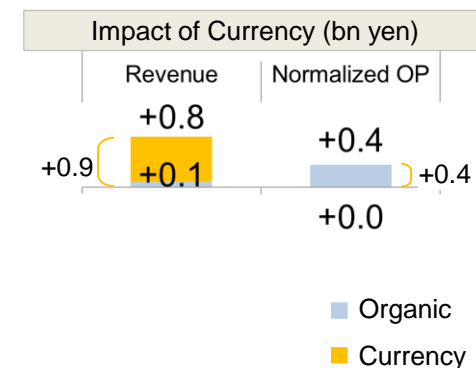


	Yen basis (¥100 million)				U.S. dollar basis (million\$)			
	1Q 19 Actual	1Q 18 Actual	Change	%	1Q 19 Actual	1Q 18 Actual	Change	%
Revenue	29.8	28.9	0.9	3.1%	270	269	1	0.5%
Normalized OP	0.0	-0.4	0.4	-	0	-4	4	-



Description

- Despite the difference in the period of demand for Easter (1Q in the previous year and 2Q this year), sales volumes remained at the same level as the previous year (-0.3%) due to strong performance. Revenue increased due to the effects of price increases.
- Normalized OP increased due to higher unit prices and streamlining of supply chains and operations, including the restructuring of manufacturing bases implemented in the previous year.



Details of the Normalized EPS

Normalized EPS

(Billions of yen)		1Q 2019 Actual	1Q 2018 Actual
Profit attributable to Owners of the Company	①	-40.8	50.1
Profit attributable to Non-controlling interests	②	-	-
Other operating income/expenses after taxes and other adjustments	③	62.9	-23.7
Normalized profit	④ = (① - ②) + ③	22.1	26.4
Average number of shares outstanding during the period ('000)	⑤	877,997	912,603
Normalized EPS (yen)	④ ÷ ⑤	25	29

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よろこびがつなぐ世界へ

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