

Kirin Group Financial Results for the 2Q 2018

August 7, 2018
Kirin Holdings Company, Limited

Overview of 2Q Financial Results

2Q 2018 Results

- Consolidated Revenue increased by approximately 40bn yen due to higher sales volumes in Japan Integrated Beverages and Overseas Integrated Beverages.
- Consolidated Normalized OP (operating profit) declined from the previous year. On the other hand, it exceeded its forecast due to Kirin Brewery's strong performance and other factors.
- Net income attributable to Owners of the parent declined significantly due to a flipside of the positive impact of the sale of Brasil Kirin recorded last year.

Outlook for FY2018

- Downward revision of the Overseas Integrated Beverages due to the lowering of the full-year exchange rate forecast is offset by the robust domestic alcohol business and group-wide cost control.
- Continue to aimed at achieving its full-year consolidated Normalized OP targets of 196bn yen.

bn yen	2Q18 Actual	2Q17 Actual	YonY change	
Revenue	918.2	878.2	+40.1	+4.6%
Normalized operating profit (OP)* ¹	86.1	89.9	-3.8	-4.3%
Profit before tax	131.2	123.1	+8.1	+6.6%
Profit attributable to owners of the Company	86.1	169.8	-83.7	-49.3%

*1 Normalized operating profit is an additional indicator for understanding of underlying sustainable performance of the Group. Normalized operating profit = Revenue – (Cost of sales + SG&A expenses)

Quantitative targets

	2Q18 Actual	2Q17 Actual	YonY change	
Normalized EPS (yen) * ²	71	73	-2	-2.7%

*2 See p.28 for details

Note: Between April and December 2018, the company is acquiring Treasury shares up to 100bn yen.

Financial Indicator

	2Q18 Actual	2Q17 Actual	YonY change	
EPS (yen)	94.79	186.05	-91.26	-49.1%

2Q 2018 Actual Results by Segment

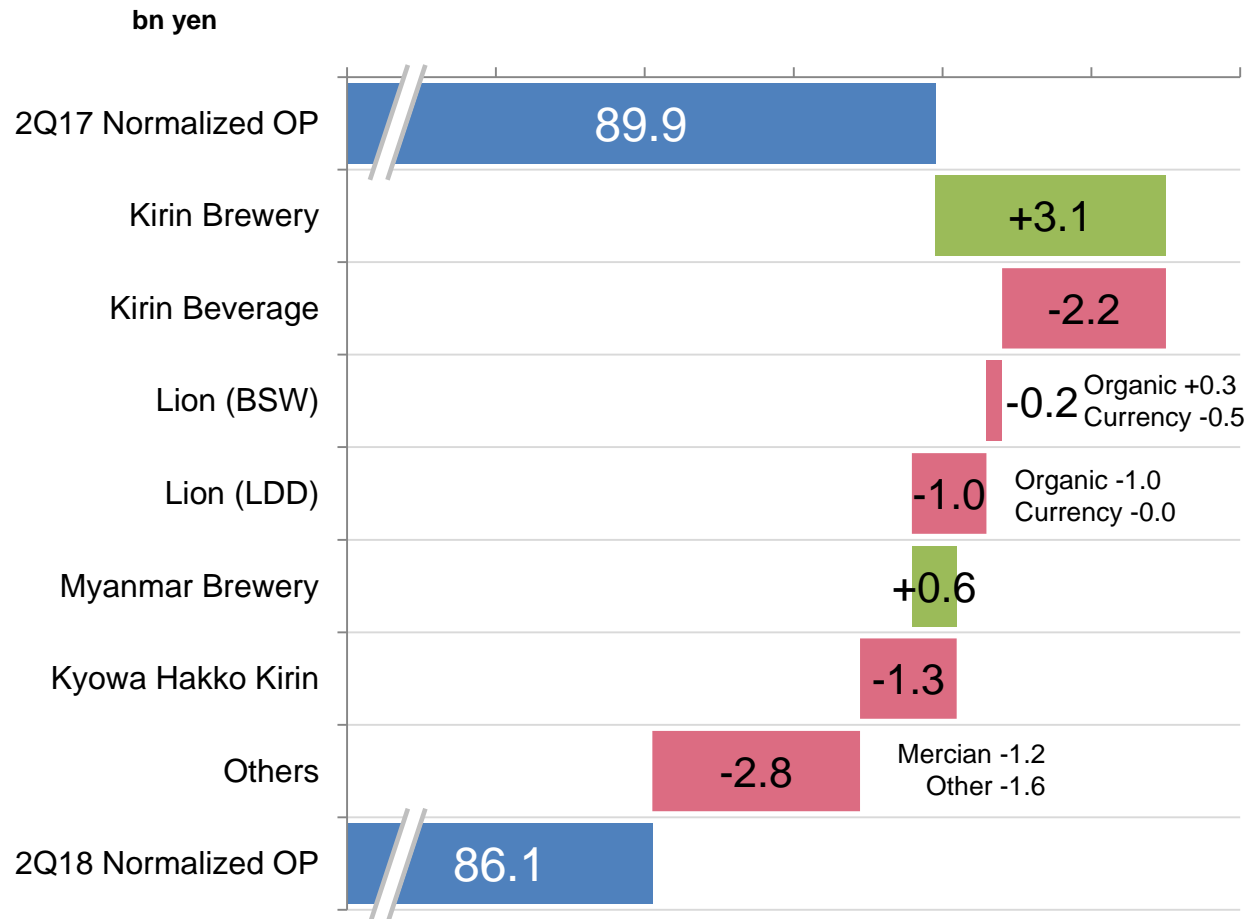
KIRIN

- Revenue was up 4.6% YoY due to higher sales in Japan Integrated Beverages and Overseas Integrated Beverages.
- Despite a year-on-year decline, consolidated Normalized OP exceeded 1H forecasts due to strong Japan Integrated Beverages.

(bn yen)	2Q18 Actual	2Q17 Actual	YonY change	
				%
Revenue	918.2	878.2	+40.1	+4.6%
Japan Integrated Beverage Business	499.2	491.4	+7.9	+1.6%
Overseas Integrated Beverage Business	242.3	203.8	+38.5	+18.9%
Pharmaceuticals and Bio-chemicals Business	168.9	173.9	-5.0	-2.9%
Others	7.9	9.1	-1.3	-13.7%
Normalized OP	86.1	89.9	-3.8	-4.3%
Japan Integrated Beverage Business	29.8	29.8	-0	-0.1%
Overseas Integrated Beverage Business	27.8	30.1	-2.2	-7.4%
Pharmaceuticals and Bio-chemicals Business	31.2	32.5	-1.3	-3.9%
Others	0.1	0.7	-0.6	-83.5%
Corporate expenses and elimination	-2.8	-3.1	+0.3	-
Profit attributable to owners of the Company	86.1	169.8	-83.7	-49.3%

Changes in normalized OP by Company (vs 2Q 2017)

KIRIN



Description

Kirin Brewery

- Higher marginal profits due to strong sales of products such as *Kirin Ichiban*, *Honkirin*, and RTDs, and reduced selling expenses.

Kirin Beverage

- Deterioration of product/container mix due to decrease in volume of *FIRE*, etc.

Lion BSW (Beer Spirits and Wine)

- Profits increased on a local currency basis due to improved mix by strengthening key categories and cost reduction effects. On the other hand, the yen base was negative due to the impact of foreign exchange rates.

Lion LDD (Lion Dairy & Drinks)

- Declines in the ambient and chilled juice categories resulted in lower revenue and profits for the business.

Myanmar Brewery

- Increase in sales volume and the effects of price increases in June of last year.

Kyowa Hakko Kirin

- Impact of reductions in drug price standards in Japan and an increase in selling expenses accompanying the launch of global strategic products.

Other

- Mercian: Aggressive investment in key categories led to higher sales promotion & logistics costs.
- CKNNE: Raw material costs increased as crude oil prices soared.

Kirin Brewery

Sales and profits increased due to strong sales of major beer and new genre products.

- In 1H 2018, total beer sales volume rose 2.6%, marking the first positive performance in three years.
- Kirin Ichiban exceeded the previous year for 11 consecutive months for canned products.
- Launched an revamped *Nodogoshi Nama* in June. Together with *Honkirin*, sales volume in the new genre category was up 18.7% YoY.

New-genre Portofolio



Kirin Beverage

Sales volume increased year on year. Decline in sales and profits due to deterioration in mix.



Renewal of Kirin Lemon
(April 10)



Renewal of Nama-cha Decaf
(May 22)



Renewal of Gogo-no-kocha
(June 12)

- Total Soft drinks sales volume increased 2.5% YoY due to the revamp of *Gogo-no-Kocha*, *Nama-cha*, and *Kirin Lemon*.
- Kirin Lemon revised its annual plan upward to approx. 40% of the initial plan.
- On the other hand, decrease in *FIRE* led to a deterioration in product mix.
- Earnings targets were achieved in 1H as some fixed selling expenses have not been consumed.

Lion BSW

Sales of core and focus brands remain strong. Continue to shift to high-priced products.

- Continued strategic shift to the growing categories of contemporary, premium and craft beer.
- Steady sales growth of core brands such as James Squire's and Heineken and strong performance of focus brands such as *Furphy* and *Iron Jack*.
- Foreign exchange impacted negatively against the previous year and the full-year forecast.



Lion LDD

Revenue and profit impacted by declines in the juice categories and the effect of the NSW CDS*

- A key milk based beverage brand, *Dare* was up 8.3% year on year and exceeded the plan.
- However, declines in the ambient and chilled juice categories and the effect of the CDS (*Container Deposit Scheme) resulted in lower revenue and profits for the business.



Myanmar Brewery

Increased sales and profits. Growth rate in sales volume exceeds the market

- A slight deterioration in the mix due to an increase in sales volume of *Andaman Gold*.
- On the other hand, Revenue and Normalized OP increased due to the increase in sales volume and the impact of the price increase in June last year.



Revision of Full-year Consolidated Forecast

- Kirin Brewery and other companies to cover the downward revision of the Overseas Integrated Beverages due to the currency exchange rate reduction* and other factors. Aim to achieve the full-year consolidated Normalized OP targets.

※The full-year forecast for the Australian dollar has been revised from 88 yen to 83 yen.

However, no changes to the full-year earnings forecasts for Lion on a local-currency basis.

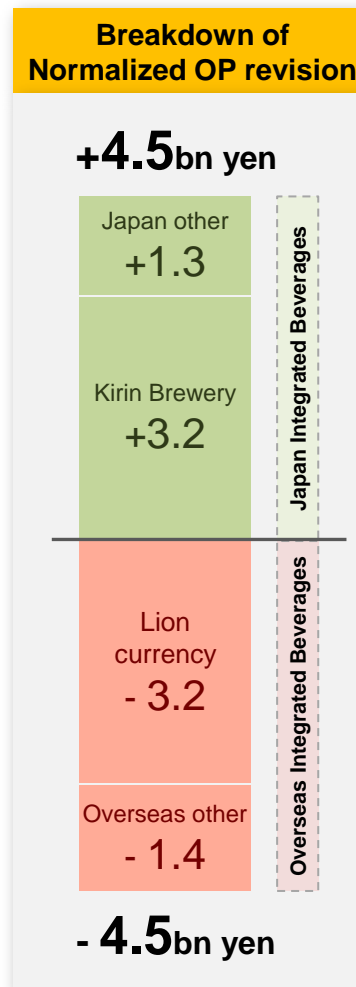
Full-year Consolidated Forecast

bn yen	2Q revision	Description by segment	2017 Actual	YoY change	2018 Initial target	YoY change
Revenue	1,960.0	Kirin Beer+16.4, Kirin Beverage-2.8, Mercian+0.4, Japan other +5.9, Lion -28.7 (BSW-6.4, LDD-1.2, FX -21.0), Overseas other +8.7	1,863.7	96.3	1,960.0	-
Normalized OP	196.0	Kirin Beer +32, Mercian +6, Japan other +7, Lion -32 (BSW 0, LDD -9, Lion HQ +8, FX -32), Overseas other -14	194.3	1.7	196.0	-
Profit before tax	235.0		233.8	1.2	235.0	-
Profit attributable to owners of the Company	155.0		242.1	87.1	155.0	-

Quantitative target

	2Q revision	2018 Initial target	YoY change
ROE	16.0%	16.0%	-
Normalized EPS	157 yen	157 yen	-

2017 Actual	YoY change
29.1%	-
151 yen	+6 yen



Kirin Brewery

Upward revision of annual sales volume for Kirin Ichiban.

- Revised up *Kirin Ichiban's* full-year sales volume forecast for FY18 given robust sales since August 2017.
- Aim to achieve its full-year targets together with *Honkirin*, *Nodogoshi-STRONG*, and *KIRIN The STRONG*.

	2Q Revision (vs initial)	YoY (revised)	YoY (initial)
Kirin Ichiban (Brand total)	+12,600 kl	- 1.9%	- 4.7%
Kirin Ichiban	+13,500 kl	+2.6%	- 0.9%



News

Expansion of Tap Marche brand

- From August 6, the YOHO BREWING COMPANY brands "SUIYOUBI NO NEKO" and "AOONI" were added to the lineup.



Invested in BEER EXPERIENCE, an agricultural corporation

- Together with the Norinchukin Bank, we will aim to create a business model that realizes the concept of "Beer-no-sato" proposed by Tono City, Iwate Prefecture, which is one of the leading Japanese hop-producing regions, and also realizes "Regional Revitalization" as a social issue.

"BEER TO GO" by SVB opens in Ginza



- A new concept deli of Spring Valley Brewery will be opened in the Ginza SONY Park on August 9, 2018, for a limited period.

Kirin Beverage

- Continue to focus on the three core brands to increase the volume composition ratio.
- Strengthen sales of small PET packaged products, mainly for *Nama-cha* and *Kirin Lemon*.
- Aim to achieve the targets by improving the mix in the second half of the year as planned.

News

Data utilization for Tappiness vending machines

- User preferences are analyzed based on sales data obtained from the vending machine communications service "Tappiness".
- Based on purchasing behavior patterns extracted through digital coupon campaigns for *FIRE* brands held in April through June, sales promotion measures are implemented according to scenes and targets.



Lion

BSW

- Launched a full strength *IRON JACK* product and will continue to invest in growth categories.



LDD

- Continue to strengthen the sales of Milk Based Beverage categories and deliver on cost reduction initiatives in order to achieve the revised targets.

News

- Announced the acquisition of Fourpure, a craft brewery in the UK.
- Also announced the acquisition of Harrington's, one of the oldest craft brewers in New Zealand.

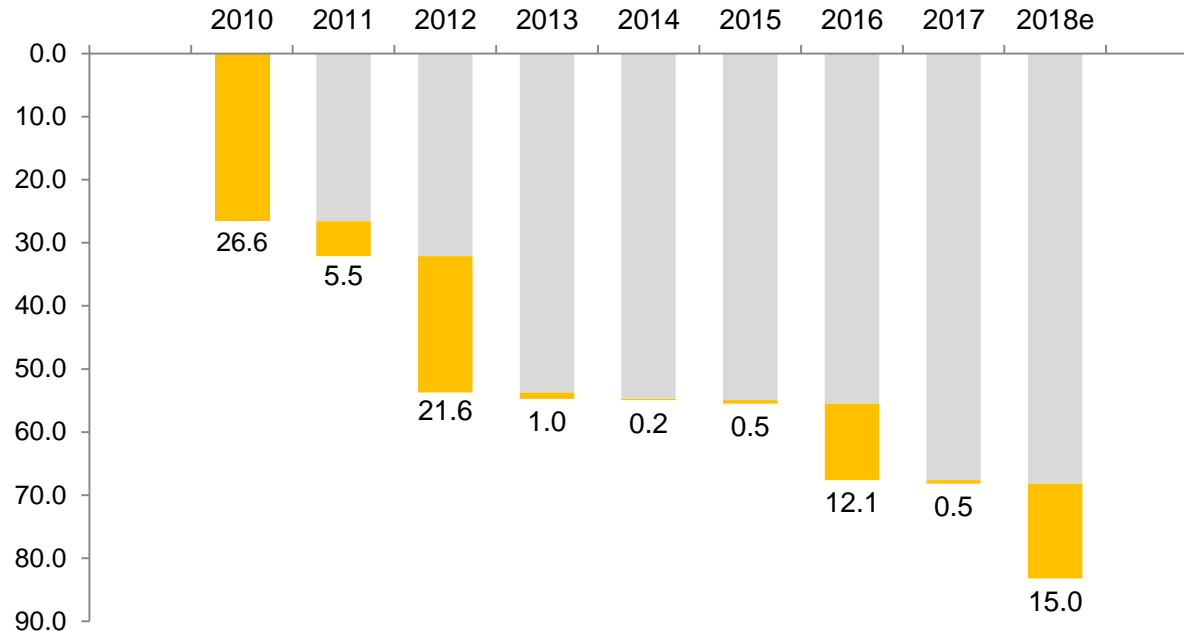


- Achieved the cost reduction target of 30 bn yen in the first two years of the 2016 Mid-term Business Plan (MTBP).
- Cost reduction targets revised upward based on the results for the first half of the fiscal year.

	2016-2017 Actual	2018 target (2Q revised)	2016-2018 total	2018 key initiatives	2018 target (initial)
Kirin Brewery	9.9	1.9	11.8	Raw material procurement, product cost reduction through new products and renovations, and reduction of supply chain costs	1.3
Kirin Beverage	7.8	1.8	9.6	Procurement of raw materials, reduction of waste, etc.	1.3
Other	7.9	2.4	10.3	Mercian, Lion, Myanmar Brewery, etc	2.0
Brasil Kirin	8.4	-	8.4		-
Total	34.0	6.1	40.1		4.6

In the current Mid-term Business Plan, the total cost reduction for the Group is expected to be approx. **40bn yen**. It greatly contributes to improving profitability.

Historical sales amount of cross-shareholdings (bn yen)



Approx.
83bn yen
in total (forecast)

- Since 2010, sold more than 80 bn yen of the cross-shareholdings.
- Further accelerate proactive efforts over many years. In principle, we do not hold cross-shareholdings that do not match the cost of capital, and will even take steps to further reduce such stocks.
- In order to maximize shareholder value, promote financial strategy with an awareness of cost of capital.

Review of progress in the 2016 MTBP and Initiatives to maximize shareholder value

2016-18 Plan approach and aims

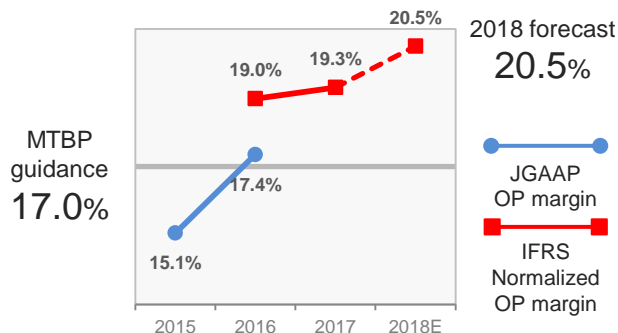
- ▶ Bold action groupwide to restructure and revitalize Kirin, focus on profitability
- ▶ Selective, focused allocation of resources, clear priorities
- ▶ Decisive implementation, full commitment to achieve targets

Excerpts from Kirin Group MTBP materials announced in February 2016

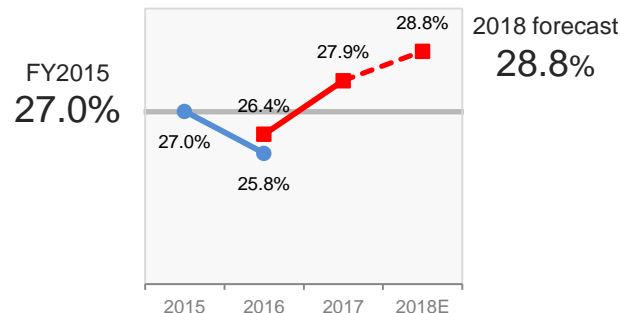
Looking back on the progress of the 2016 MTBP

1. Beer Businesses – Invest, strengthen and grow profit base: Forecast 2018 OP +¥10.6bn

Kirin Brewery



Lion (Beer Spirits & Wine)



Myanmar Brewery

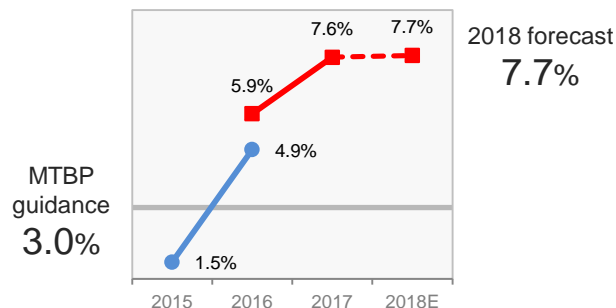
MTBP guidance:
Maintain market position
& capture share of market growth

▼

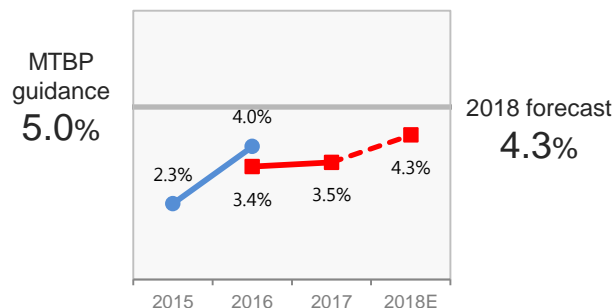
2018 outlook:
Maintaining 80% share of market & completed the expansion to the production facilities.

2. Low-profit Businesses – Restructure & Revitalize: Forecast 2018 OP +¥24.3bn

Kirin Beverage



Lion (Diary & Drinks)



Brasil Kirin

MTBP guidance:
Achieve profit in 2019

▼

Progress:
Complete the transfer of all shares

3. Pharmaceuticals and Bio-chemicals Businesses

Kyowa Hakko Kirin

2020 guidance:
Achieve 100 bn yen for Core OP.

▶

2018 progress:
Received approval for burosumab (KRN23) in the US and in EU and launched in Germany and the US during 2Q.

MTBP theme for Kirin Brewery

“Target a V-Shaped recovery, growth in sales and profits”

Enhance appeal of the
beer category

Sustained support for
Kirin Ichiban



Recover market share in the
Happo-shu and new genre
categories

Establishment of Malt-
type new genre brand



Strengthen business base to
continue investing in brands

Achieve high
productivity across
supply chain

Projected Cost Reductions
for 2016-2018

¥11.8bn

Achieved 9.9bn yen so far

2016

2017

2018

Steadily achieving restoring growth for Kirin Brewery, which was a top priority.

- Take initiatives to maximize shareholder value while continue to work toward achieving the 2016 MTBP.

2018 Management Scope

- Continue to work toward achieving 2016 MTBP quantitative targets and profit guidance
- Take initiatives to maximize shareholder value



Excerpts from 4Q 2017 presentation

1 Profit growth of existing businesses

Further improve profitability	➤ Kirin Brewery
	➤ Lion BSW
Growth driver of the Group	➤ Myanmar Brewery
	➤ Kirin Beverage
	➤ Kyowa Hakko Kirin

2 Synergy creation capitalizing on business strengths

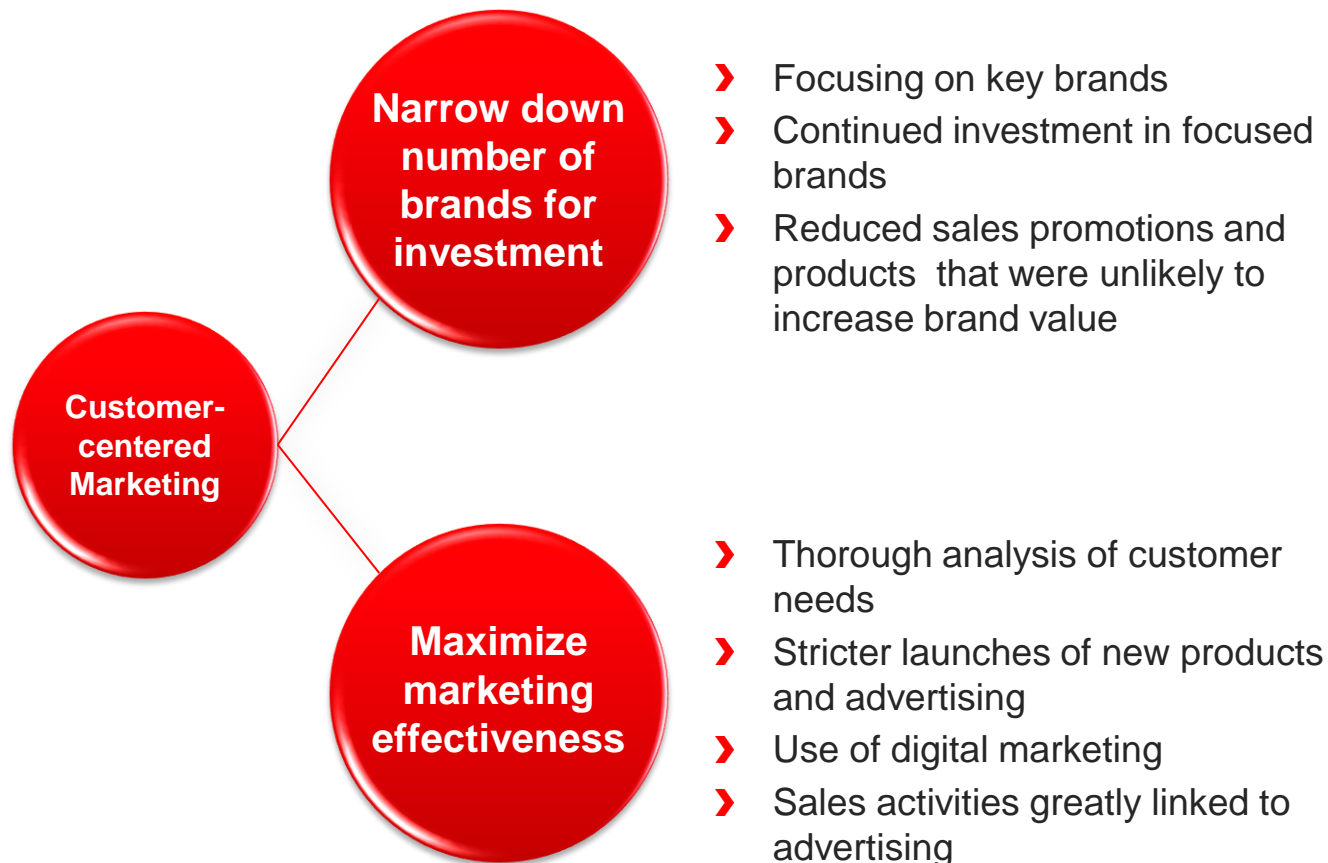
- Foster a growth driver from the long term perspective

3 Financial strategy focusing on cost of capital and non-financial strategy to reduce future risks

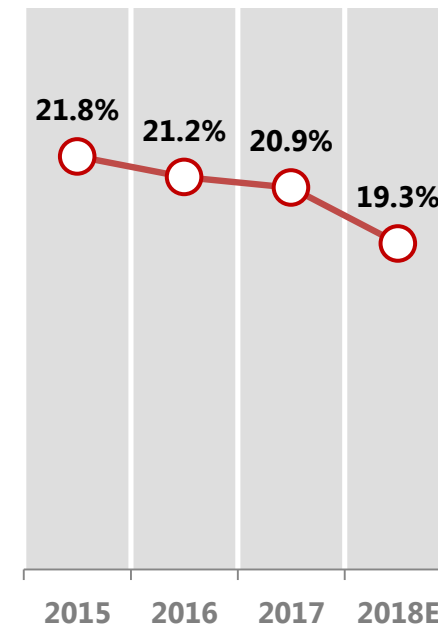
- *Refer page 13.

Marketing Reforms

- Realized a shift in selling expenses "cost" to "investment" through highly focused marketing.



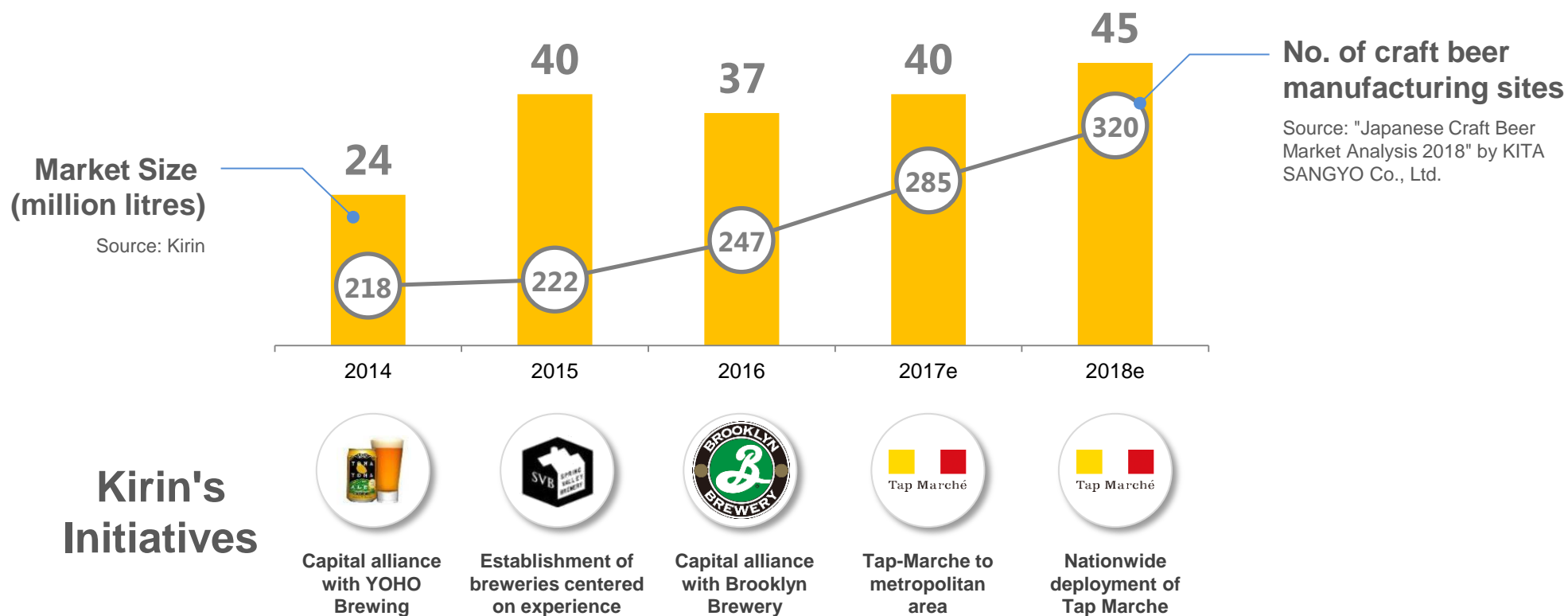
Ratio of selling expenses to beer products total revenue
(sales excluding liquor tax. Managerial accounting basis)



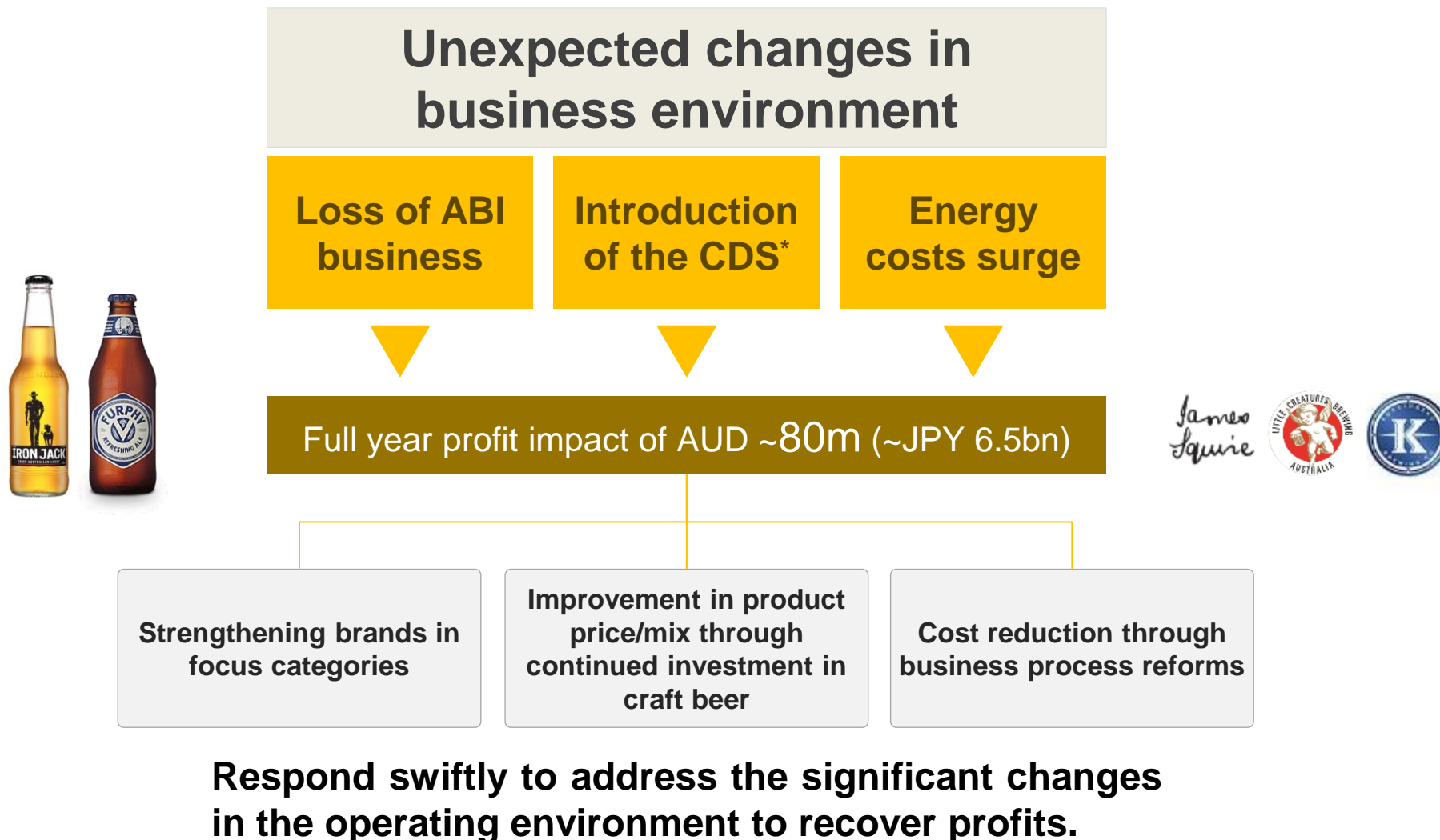
Continued investment in craft beer

- The market is steadily expanding through our activities centered on experience. The number of craft beer manufacturing sites has also increased sharply over the past five years.
- The number of Tap Marche stores has exceeded 4,000 as of the end of June.

Craft beer market size and number of Craft beer manufacturing sites.



Lion BSW



*Container Deposit Scheme

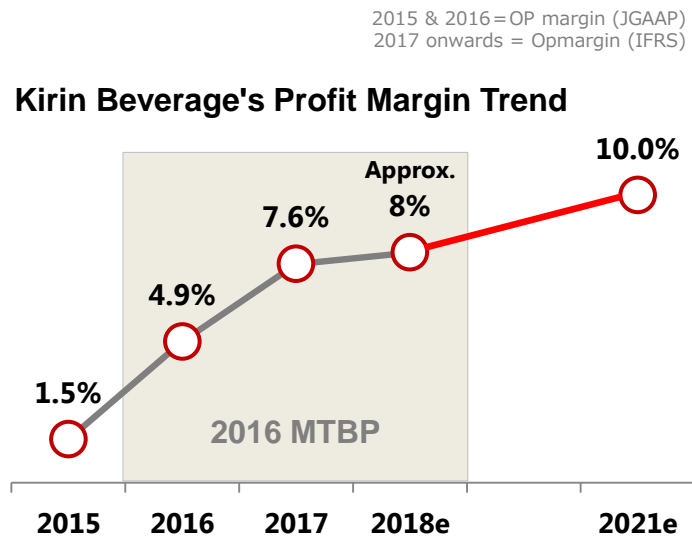
- Significant progress in improving profitability thanks to the thorough implementation of its profit perspective and the improvement of its cost structure.
- Consider alliances with other companies as an initiative for further earnings growth, while continue to address to move to a stage of "Growth-based profit generation"

Alliance Progress

Announced collaboration with Asahi Soft Drinks at the end of July 2018

Resolving issues through collaboration in non-competitive areas

Considering the possibility of expanding the scope of cooperation in the future



Alliances with other companies are key options for achieving a Normalized OP rate of 10% by 2021.

The 5-year MTBP calls for **enhancing global competitiveness** as a pillar of Pharmaceuticals and Bio-chemicals Businesses's outstanding growth.



Brosumab (KRN23)*, a key global strategic product, was approved in Europe in February 2018 and also in the US in April 2018.**

Started sales in Germany and the U.S. from 2Q onward

*Product name in the US & EU: Crysvita®

**EU=pediatric, US=pediatric + adults



A significant step toward the Global Specialty Pharmaceutical Company.

- Commercialized *Lactococcus lactis* strain Plasma through joint research with Kirin, Kyowa Hakko Bio, and Koiwai.
- From September 2017, began rolling out the *iMUSE* brand as a group-wide brand.

Lactococcus lactis strain Plasma

プラズマ 乳酸菌
LACTIS PLASMA

Alcoholic beverages
Non-alcoholic beverages

Pharmaceuticals
Bio-chemicals

私の中の戦うチカラ
イミューズ
IMUSE

プラズマ 乳酸菌
LACTIS PLASMA

IMUSE

IMUSE

IMUSE

IMUSE

IMUSE

Tablet

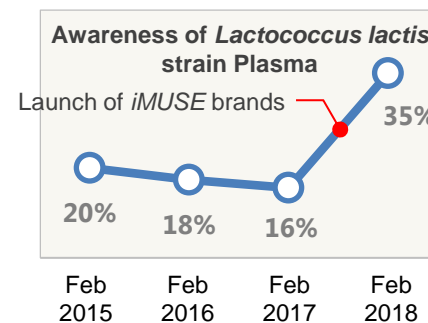
Yogurt

Yogurt drink

Soft drink

Tablet for specific channel

- Own mechanism and abundant evidence from human study data.
- Sales of products at dispensing pharmacies, clinics, etc., and collaborative efforts with food companies, etc.



***Lactococcus lactis* strain Plasma related products (Jan to Jun 2018)**

78% of the annual Revenue target

- Announced a joint investment for Thorne Research in the US, with Mitsui & Co. in July 2018
- Thorne has a strong business base in developing and manufacturing high-performance supplements backed by abundant scientific evidence and in selling products, primarily through healthcare professionals.
- Thorne's business model corresponds to Kirin's direction to create value in the Health and Well-being and disease-free fields.

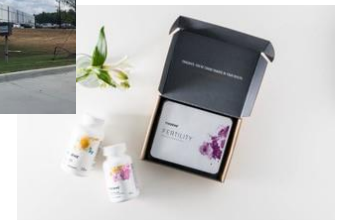


An important step toward establishing a business models in Health and Well-being and disease-free fields with Kirin's outstanding R&D capabilities

Investee	Thorne Holding Corp (Thorne Research's Holding Company) Location: New York, New York and Charleston, South Carolina, U.S.A. Business activities: Development, manufacture, and sale of high-performance supplements, provision of home testing services
Form of Contributions	Private placement of new shares
Assumed investment ratio	Kirin and Mitsui each invests approximately 40% (80% in total)
Schedule	July: Contract signed, Merger filing process started October : Closing



Thorne plant



Supplement & home testing kit

We will continue to strive to
maximize shareholder value
through further earnings growth, synergy
generation, and Equity cost-conscious
financial strategy in our existing businesses,
thereby translating into
sustainable growth for the Kirin Group.

Appendices

Normalized EPS

bn yen		2Q18 Actual	2Q17 Actual
Profit attributable to Owners of the Company	①	86.1	169.8
Profit attributable to Non-controlling interests	②	-	81.8
Other operating income/expenses after taxes and other adjustments	③	-21.7	-21.5
Normalized profit	④ = (① - ②) + ③	64.4	66.5
Average number of shares during the period ('000)	⑤	908,137	912,548
Normalized EPS (yen)	④ / ⑤	71	73

2Q Actual Results: Integrated Beverages

KIRIN

bn yen	2Q18 Actual	2Q17 Actual	YonY change	
				%
Japan: Revenue	499.2	491.4	+7.9	+1.6%
Kirin Brewery	307.6	301.8	+5.7	+1.9%
Kirin Beverage	133.4	134.0	-0.6	-0.4%
Mercian	29.3	30.7	-1.4	-4.4%
Other and elimination	29.0	24.9	+4.1	+16.3%
Japan: Normalized OP	29.8	29.8	-0	-0.1%
Kirin Brewery	31.0	27.9	+3.1	+10.9%
Kirin Beverage	10.0	12.2	-2.2	-18.0%
Mercian	0.8	2.0	-1.2	-61.7%
Others	-12.0	-12.3	+0.3	-

Overseas: Revenue	242.3	203.8	+38.5	+18.9%
Lion	159.2	165.4	-6.2	-3.7%
Myanmar Brewery	14.4	13.6	+0.8	+6.2%
Other and elimination	68.7	24.8	+43.9	+176.9%
Overseas: Normalized OP	27.8	30.1	-2.2	-7.4%
Lion	20.4	22.2	-1.8	-8.0%
Myanmar Brewery	6.6	6.0	+0.6	+9.8%
Others	0.8	1.8	-1.0	-56.1%

Full-year forecast revision

KIRIN

bn yen	FY2018 Revised forecast	FY2017 Actual	YoY change		FY2018 Initial forecast	Change from initial to forecast
				%		
Japan: Revenue	1,100.0	1,051.0	+49.0	+4.7%	1,080.0	+20.0
Kirin Brewery	678.7	647.0	+31.7	+4.9%	662.3	+16.4
Kirin Beverage	292.7	285.7	+7.0	+2.4%	295.5	-2.8
Mercian	65.2	65.3	-0	-0.1%	64.8	+0.4
Other and elimination	63.4	53.0	+10.4	+19.7%	57.5	+5.9
Japan: Normalized OP	80.5	72.5	+8.0	+11.0%	76.0	+4.5
Kirin Brewery	80.7	71.6	+9.1	+12.7%	77.5	+3.2
Kirin Beverage	22.6	21.7	+0.9	+4.2%	22.6	-
Mercian	2.9	3.9	-1.0	-25.4%	2.3	+0.6
Others	-25.7	-24.7	-1.0	-	-26.4	+0.7
Overseas: Revenue	516.0	448.6	+67.4	+15.0%	536.0	-20.0
Lion	341.3	348.7	-7.4	-2.1%	370.0	-28.7
Myanmar Brewery	28.5	25.6	+2.9	+11.3%	28.5	-
Other and elimination	146.2	74.3	+71.9	+96.8%	137.5	+8.7
Overseas: Normalized OP	66.0	66.0	0	-	70.5	-4.5
Lion	52.7	52.6	+0.1	+0.2%	55.9	-3.2
Myanmar Brewery	10.7	9.9	+0.9	+8.8%	10.7	0
Others	2.6	3.6	-1.0	-28.4%	3.9	-1.4

2Q Results - Kirin Brewery

KIRIN

million litres (ML)

Volume change by category	2Q18 Actual	2Q17 Actual	YonY change
Beer products total	778	758	+2.6%
<i>Beer</i>	272	284	-4.3%
<i>Happo-shu</i>	201	217	-7.5%
<i>New genre</i>	306	258	+18.7%
RTD	165	147	+12.1%

by brand	YonY change
<i>Kirin Ichiban</i>	-3.1%
<i>Kirin Tanrei</i>	-7.3%
<i>Kirin Nodogoshi</i>	-5.0%
<i>Kirin Hyoketsu</i>	+2.9%
<i>Kirin Honshibori Chuhai</i>	+10.4%

bn yen	2Q18 Actual	2Q17 Actual	YonY change	
Revenue	307.6	301.8	+5.7	+1.9%
Revenue excl. liquor tax	179.9	174.2	+5.6	+3.2%
Normalized OP	31.0	27.9	+3.1	+10.9%

2Q17 Normalized OP		27.9	Description (ML = million litres)
YonY change (bn yen)	Increase in marginal profit of alcohol beverages, etc	+1.4	Total <i>Beer</i> products +0.8bn yen, (Sales volume: <i>beer</i> -12ML, <i>happo-shu</i> -16ML, <i>new-genre</i> +48ML) Others +1.3bn yen (Sales volume: RTD +18ML, non-alcohol beverages -0ML) Difference of change in composite of products, etc -0.7bn yen
	Decrease in raw material costs	+0.2	
	Decrease in selling expenses	+2.5	Decrease in sales promotion expenses 3.7bn yen, increase in advertising expenses -1.2 bn yen (Total 34.8bn → 32.3bn yen)
	Increase in other expenses	-1.0	Increase in supplies expenses, increase in electric cost and fuel cost, etc
	Total	+3.1	
2Q18 Normalized OP		31.0	

Beer market

- The beer market in 2Q was -3.6% YoY (taxable basis).
- In addition to the continued contraction of the market, factors such as revisions to the Liquor Tax Act enforced in June last year and revisions to the price of returnable containers were negative factors.

Kirin Brewery

Sales volume

- Against a backdrop of negative market growth, Kirin's total beer sales were up 2.6%. *Kirin Ichiban* increased sharply by 15% on cans and exceeded the market on a brand total basis. Sales in the new genre category jumped 18.7%, driven by hits in the *Honkirin*.

Supplementary information about the results

- Marginal profit increased due to increased sales volume of beer and RTD. Advertising expenses increased due to the launch of new products and the renovation of "*Nodogoshi-Nama*", but sales promotion expenses decreased due to the streamlining of campaigns and other measures.

Full-year Forecast Revision for Kirin Beer

KIRIN

Sales volume million litres (ML)	FY2018 Revised forecast	FY2017 Actual	YoY change	FY2018 Initial forecast	Change from initial to forecast
Beer products total	1,739	1,626	+6.9%	1,630	+0.2%
Beer	612	627	-2.4%	610	-2.8%
Happo-shu	436	455	-4.2%	448	-1.7%
New genre	691	543	+27.1%	573	+5.3%
RTD	350	318	+10.2%	360	+13.3%

Volume / Revenue

- Aim to increase beer sales to 6.9% YoY for the full year by upwardly correcting "Kirin Ichiban", in addition to "Honkirin" which was also upwardly corrected in June. Full year forecast for RTD and Non-alcohol beer were revised downward.
- Aim to improve revenue by increasing sales volume.

Normalized OP

- Increases in beer and RTD sales volume are expected to result in a significant increase in marginal profit. Raw material costs to be reduced through further cost-cutting efforts. Aim to reduce selling expenses as planned at the beginning of the year.
- Other expenses and electricity and fuel costs are expected to increase due to higher expenses for new consumable equipment and utility costs.

bn yen	FY2018 Revised forecast	FY2017 Actual	YoY change	FY2018 Initial forecast
Revenue	678.7	647.0	+4.9%	662.3
Revenue excl. liquor tax	394.6	372.1	+6.1%	384.6
Normalized OP	80.7	71.6	+12.7%	77.5

2Q17 Normalized OP		71.6	Description (ML = million litres)
YoY change (bn yen)	Increase in marginal profit of alcohol beverages, etc	+8.4	Total beer products +6.3bn yen (sales volume: beer -15ML, happo-shu -19ML, new genre +147ML) Other + 2.0bn yen (RTD +32ML, non-alcohol -5ML) Diff. of change in composite of products, etc. +0.1bn yen
	Decrease in raw material costs	+0.8	
	Decrease in selling expenses	+3.1	Decrease in sales promotion and advertising (Total 66.9bn → 63.8bn yen)
	Increase in other expenses	-3.2	Increase in supplies expenses, increase in electric cost and fuel cost, etc.
	Total	+9.1	
2Q18 Normalized OP (revised)		80.7	

2Q17 Normalized OP		71.6
YoY change (bn yen)	Increase in marginal profit of alcohol beverages, etc	+7.2
	Increase in raw material costs	-1.5
	Decrease in selling expenses	+3.1
	Increase in other expenses	-2.8
	Total	+5.9
2Q17 Normalized OP (initial)		77.5

2Q Results - Kirin Beverage

KIRIN

Sales volume (10,000 cases)		2Q18 Actual	2Q17 Actual	YoY change
Category	Black tea	2,438	2,495	-2.3%
	Japanese tea	1,576	1,421	+10.9%
	Coffee	1,334	1,469	-9.2%
	Fruit and vegetable juice	1,262	1,184	+6.6%
	Carbonated beverage	1,013	1,000	+1.3%
	Functional beverage	500	418	+19.6%
	Water	2,008	1,873	+7.2%
	Other	753	757	-0.5%
Container type	Can	1,770	1,896	-6.7%
	Large PET bottle	3,643	3,495	+4.2%
	Small PET bottle	4,411	4,240	+4.0%
	Other	1,060	986	+7.6%
Total		10,884	10,617	+2.5%

Revenue (bn yen)	133.4	134.0	-0.6	-0.4%
Normalized OP (bn yen)	10.0	12.2	-2.2	-18.0%

2Q17 Normalized OP		12.2	Description
YoY change (bn yen)	Decrease in marginal profit of soft drink beverages	-1.9	Increase in sales volume +1.3bn yen(+2.68 million cases) Difference of change in products mix and in composition ratio of containers, etc -3.2bn yen
	Decrease in raw material cost, etc.	+0.5	Decrease in raw material cost 0.1bn yen, increase in material cost -0.1bn yen, decrease in processing +0.4bn yen
	Increase in selling expenses	-0.3	Increase in sales promotion -0.2bn yen, increase in advertising -0.2bn yen (Total 16.2bn → 16.5bn)
	Increase in other expenses	-0.5	
	Total	-2.2	
2Q18 Normalized OP		10.0	

Soft drinks market

- 2Q Soft drinks markets were up 2%.

Kirin Beverage

Sales Volume

- Total Soft drinks +2.5%.
- Sales in the Japanese tea category grew by double digits YoY due to strong sales of *Nama-cha*. *FIRE* neither achieved the previous year nor the plan. Water category up YoY due to launch of *Hare-to-Mizu* in Q1 and special demand due to sunny weather in Q2.

Performance

- Marginal profit declined YoY due to a decrease in the composition ratio of cans and the ratio of the three core brands.
- Earnings targets were achieved in 1H due to the fact that some fixed selling expenses have not been consumed.

Full-year Forecast Revision for Kirin Beverage

KIRIN

Sales volume (10,000 cases)		FY2018 Revised forecast	FY2017 Actual	YoY change	FY2018 Initial forecast
Category	Black tea	5,420	5,293	+2.4%	5,380
	Japanese tea	3,500	3,086	+13.4%	3,370
	Coffee	2,960	3,080	-3.9%	3,237
	Fruit and vegetable juice	2,650	2,471	+7.2%	2,597
	Carbonated beverage	2,110	2,110	0.0%	2,118
	Functional beverage	1,140	1,004	+13.5%	1,225
	Water	4,080	4,041	+1.0%	4,134
	Other	1,540	1,741	-11.6%	1,539
Container type	Can	3,807	3,939	-3.3%	4,138
	Large PET bottle	7,669	7,589	+1.1%	7,640
	Small PET bottle	9,755	9,199	+6.0%	9,537
	Other	2,169	2,099	+3.3%	2,285
Total		23,400	22,826	+2.5%	23,600

Revenue (bn yen)	292.7	285.7	+2.4%	295.5
Normalized OP (bn yen)	22.6	21.7	+4.2%	22.6

2Q17 Normalized OP		21.7	Description
YoY change (bn yen)	Increase in marginal profit	+3.0	Increase in sales volume +2.8bn yen (5.74 million cases), difference of change in products mix and in composition ratio of containers, etc. 0.2bn yen
	Increase in raw material cost, etc.	-0.5	Decrease in raw material cost 0.1bn yen, increase in material cost -0.7bn yen, Decrease in processing cost 0.2bn yen
	Increase in selling expenses	-0	Increase in sales promotion and advertising (Total 40.2bn yen → 40.3bn yen)
	Increase in other expenses	-1.6	Increase in depreciation of sales equipment, etc.
	Total	+0.9	
2Q18 Normalized OP (revised)		22.6	

Soft drinks market

- Lowered its initial forecasts by 2m cases.
- The sales volume of *FIRE*, which has some gaps against its target, was revised.
- While downward revisions were made to Revenue in line with sales volume, the YoY increase is still targeted.

Kirin Beverage

- Marginal profit revised downward in line with sales volume revisions.
- Correction was made to forecasts of raw material costs because cost reductions were higher than planned, and there were some portions of the market deterioration that had not occurred by 2Q.

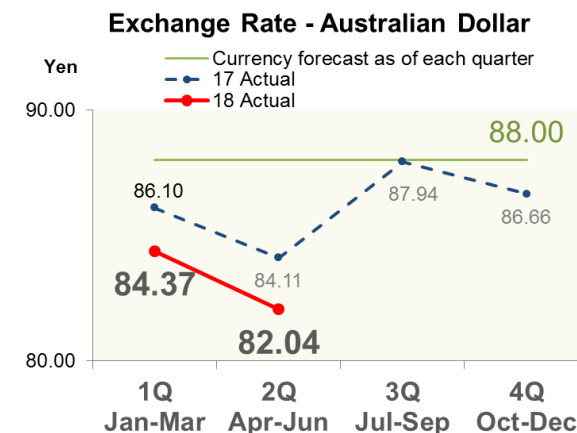
2Q17 Normalized OP		21.7
	Increase in marginal profit	+4.8
	Increase in raw material cost, etc.	-2.2
	Increase in selling expenses	-0.1
	Increase in other expenses	-1.6
Total		+0.9
2Q18 NOP (initial)		22.6

2Q Results - Overseas Integrated Beverages - Lion

KIRIN

	Yen base (bn yen)			
	2Q 2018	2Q 2017	YonY change	
Revenue	159.2	165.4	-6.2	-3.7%
BSW	87.8	90.6	-2.8	-3.1%
LDD	71.3	74.7	-3.4	-4.5%
Normalized OP	20.4	22.2	-1.8	-8.0%
BSW	22.9	23.1	-0.2	-0.9%
LDD	1.1	2.1	-1.0	-47.7%
Corporate	-3.6	-3.0	-0.6	-

	A\$ base (million A\$)			
	2Q 2018	2Q 2017	YonY change	
Revenue	1,912	1,943	-30	-1.6%
BSW	1,055	1,065	-10	-0.9%
LDD	857	878	-21	-2.3%
Normalized OP	246	261	-15	-5.9%
BSW	275	272	+3	+1.3%
LDD	13	24	-11	-46.6%
Corporate	-43	-35	-8	-



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

	BSW	LDD
Change in sales volume	-1.4%	-6.2%

Changes in normalized OP (A\$ m)	2Q 2017	272	24
	Sales volume change	-10	-18
	Other	+13	+7
	2Q 2018	275	13

Description

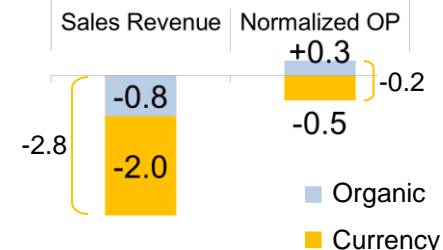
Lion BSW

- Small decline in revenue year on year. Decreased sales from volume decline and the effect of the NSW Container Deposit Scheme was offset by strong performance of Iron Jack and *Furphy* focus brands.
- Normalized OP improved due to positive momentum in pricing and the focus brands and delivery of supply chain cost management.
- Currency impacted revenue by approx. -2.0bn yen and normalized OP by approx. -0.5bn yen

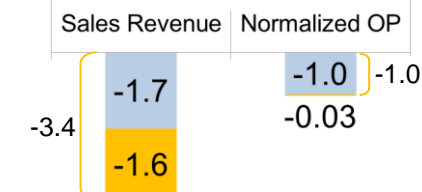
Lion LDD

- Overall lower revenue and normalized OP was driven by declines in the ambient and chilled juice categories and the effect of the NSW Container Deposit Scheme.
- LDD saw steady growth of its flagship products in the milk based beverage category.
- Currency impacted revenue by approx. -1.6bn yen and normalized OP by approx. -30m yen

Impact of Currency BSW (bn yen)



Impact of Currency LDD (bn yen)



Full-year Forecast Revision for Lion

	Yen base (bn yen)				A\$ base (million A\$)			
	2018 revised forecast	2017 Actual	YoY Change	2018 Initial forecast	2018 revised forecast	2017 Actual	YoY Change	2018 Initial forecast
Revenue	341.3	348.7	-2.1%	370.0	4,112	4,044	+1.7	4,205
BSW	188.1	195.3	-3.7%	206.3	2,267	2,265	+0.1	2,344
LDD	153.1	153.4	-0.1%	163.7	1,845	1,779	+3.7	1,860
Normalized OP	52.7	52.6	+0.2%	55.9	635	609	+4.2	635
BSW	54.1	54.5	-0.8%	57.3	652	632	+3.1	651
LDD	6.6	5.4	+21.8%	7.9	79	62	+27.1	90
Corporate	-8.0	-7.3	+8.7%	-9.3	-96	-85	-	-106

Revenue

BSW

- Small reduction to reflect the impact of the decrease in sales volume in the first half of the fiscal year on the initial forecast.
- Currency impact approx. -7.3bn yen

LDD

- Revenue forecast has seen a minor reduction due to declines in ambient and chilled juice categories.
- Currency impact approx. -5.9bn yen

Normalized OP

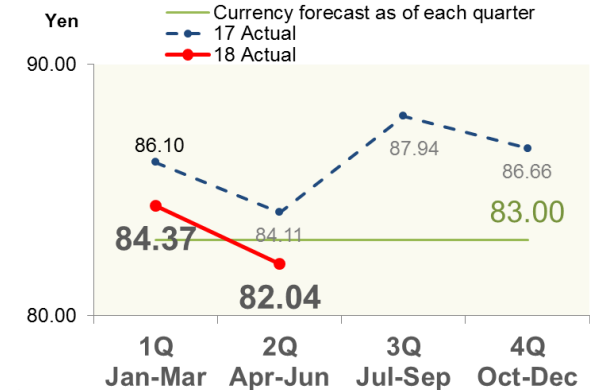
BSW

- Expected to deliver in line with initial forecast.
- Currency impact approx. -2.1bn yen

LDD

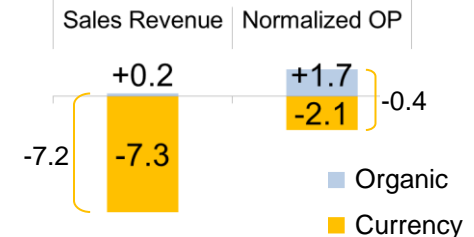
- Normalized OP is expected to be lower than initial forecast due to a moderation in growth aspirations to reflect trading challenges, including declines in ambient and chilled juice categories.
- Currency impact approx. -0.3bn yen

Exchange Rate - Australian Dollar

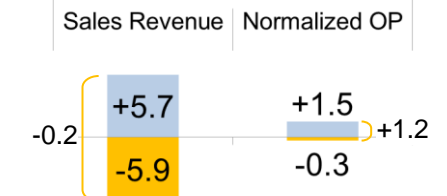


Revised full-year exchange rate forecast from ¥88 to ¥83

Impact of Currency BSW (bn yen)



Impact of Currency LDD (bn yen)



2Q Results - Overseas Integrated Beverages – Myanmar Brewery

KIRIN

	Yen base (bn yen)			
	2Q 2018	2Q 2017	YonY change	
Revenue	14.4	13.6	+0.8	+6.2%
Normalized OP	6.6	6.0	+0.6	+9.8%

	Kyat base (bn MMK)			
	2Q 2018	2Q 2017	YonY change	
Revenue	179	165	+15	+9.0%
Normalized OP	82	73	+9	+12.7%

Beer market

- As expected at the beginning of the year, market expansion is projected to be in the mid single-digit to close to 10% range. The economic environment has not changed much, and the economy category has continued to grow, and the off-channel has been increasing.

Myanmar Brewery

	YonY
Sales volume	+12.8%

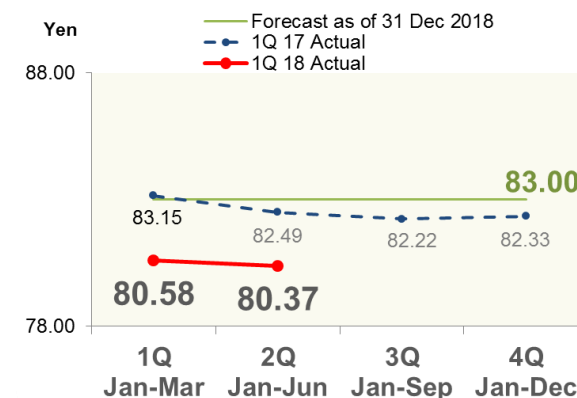
Sales Volume

- Significant YoY increase due to sales growth and actual sales conditions in the promotional measures contributed in 1Q. The *Myanmar Beer* is moving on-track as planned. Large increase in Andaman Gold due to the implementation of campaigns in June

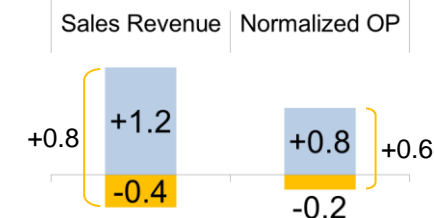
Performance

- Revenue increased due to higher sales volume and the effects of the price up in June of the previous year. Mix deteriorated due to an increase in the *Andaman Gold* composition ratio, but the increase in total volume positively exceeded the impact. Currency impact: Revenue -0.4bn, Normalized OP -0.2bn.

Exchange Rate - 1,000 Myanmar Kyat



Impact of Currency Myanmar Brewery



Full-year Consolidated Forecast

	Yen base (bn yen)			
	2018 revised forecast	2017 Actual	YoY Change	
Revenue	28.5	25.6	+2.9	+11.3%
Normalized OP	10.7	9.9	+0.9	+8.8%

	Kyat base (bn MMK)			
	2018 revised forecast	2017 Actual	YoY Change	
Revenue	343	311	+32	+10.4%
Normalized OP	129	120	+9	+7.9%

(No Change) Full-year Consolidated Forecast

bn yen	2Q 2018	2Q 2017	YoY change	
Revenue	168.9	173.9	-5.0	-2.9%
Kyowa Hakko Kirin	172.5	177.4	-4.9	-2.8%
Pharmaceuticals	133.8	137.5	-3.7	-2.7%
Bio-chemicals	38.7	39.9	-1.2	-3.0%
Others and elimination	-3.6	-3.5	-0.1	-
Normalized OP	31.2	32.5	-1.3	-3.9%
Kyowa Hakko Kirin	31.2	32.5	-1.3	-3.9%
Pharmaceuticals	27.4	29.1	-1.7	-5.9%
Bio-chemicals	3.4	3.2	+0.2	+6.0%
Others	0.4	0.1	+0.2	+227.4%

bn yen	2018 revised forecast	2017 Actual	YoY Change	
Revenue	327.0	346.7	-19.7	-5.7%
Kyowa Hakko Kirin	335.0	354.2	-19.2	-5.4%
Pharmaceuticals	261.0	274.8	-13.8	-5.0%
Bio-chemicals	74.0	79.4	-5.4	-6.8%
Others and elimination	-8.0	-7.5	-0.5	-
Normalized OP	55.0	62.2	-7.2	-11.6%
Kyowa Hakko Kirin	55.0	62.2	-7.2	-11.6%
Pharmaceuticals	47.0	55.0	-8.0	-14.6%
Bio-chemicals	8.0	7.2	+0.8	+11.3%
Others	-	0	-0.0	-

Kyowa Hakko Kirin

Revenue

- Sales declined due to a drop of domestic sales of pharmaceuticals partly due to NHI drug price revisions in April and the penetration of generics & competitors, as well as the exclusion of Kyowa Medex from the scope of consolidation. However, Revenue increased compared YoY due to the sale of the priority examination voucher in Crysvita® (KRN23).
- In the bio-chemicals business, sales declined due to the impact of the transfer of the Plant Growth Regulator Business in the previous year.

Normalized OP

- In the pharmaceuticals business, operating profit declined due to a decline in Revenue and an increase in SG&A expenses associated with preparations for the launch of new products overseas. In the Bio-Chemicals business, profits increased slightly due to an improvement in profit margins resulting from an improvement in the product mix.

Pipeline

Progress in 2Q

- Brosrab (KRN23) is approved for sale in the U.S. for adults and children. In addition, the primary endpoint was achieved in the Pediatric Ph3 trial. Started sales in the U.S. and Germany in April.
- Examination period for Mogamlizumab (KW-0761) was extended for 90 days and is scheduled to be completed in September.
- In Japan, a Ph3 study of valdoxolone methyl (RTA402) for diabetic kidney disease was started in May.

<Ref.> Quarterly performance of San Miguel Brewery*

KIRIN

*An affiliate consolidated under the equity method

San Miguel Brewery local-based consolidated results (from Jan 2017 to Mar 2018)

million pesos	Jan-Mar 2017		Apr-Jun 2017		Jul-Sep 2017		Oct-Dec 2017		2017 total		Jan-Mar 2018	
	Actual	Change	Actual	Change	Actual	Change	Actual	Change	Actual	Change	Actual	Change
Sales	25,364	9%	27,696	15%	27,596	26%	32,599	17%	113,255	17%	29,814	18%
Operating Income	6,677	10%	7,363	13%	7,368	20%	9,753	15%	31,161	15%	8,313	25%
Operating Income Ratio	26.3%		26.6%		26.7%		29.9%		27.5%		27.9%	

Periods consolidated to 2Q

San Miguel Brewery dividend data (from Jan 2017 to Dec 2017)

million pesos	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	2017 total
Cash Dividend	2,765	2,765	2,765	3,072	11,368
Cash Dividend Per Share	0.18	0.18	0.18	0.20	0.74

2Q consolidated results under the equity method (consolidation period: Oct 2017-Mar 2018)

bn yen	2Q18 Actual	2Q17 Actual	YonY change
Net income (SMB)	25.5	21.8	17%
Consolidated net income (included in the consolidated results)	12.4	10.6	17%

Currency rate: 1 peso= ¥2.17 (previous year: ¥2.26)
Source: San Miguel Brewery Inc. Financial Highlights

KIRIN

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