KIRIN

KIRIN HOLDINGS COMPANY, LIMITED

February 14, 2018

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNDER IFRS) (UNAUDITED)

(English Translation)

Fiscal year ended December 31, 2017

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
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	Telephone: +81-3-6837-7015 from overseas

Scheduled date of general meeting of shareholders held: March 29, 2018

Commencement date of dividend distribution scheduled: March 30, 2018

Submission date of securities report scheduled: March 29, 2018

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 current fiscal year (January 1, 2017 – December 31, 2017)

[Unit: Japanese yen (¥)]

(1) Results of operations: (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 (%)
Fiscal year ended						
December 31, 2017	1,863,730	0.5	194,318	6.8	233,776	12.3
December 31, 2016	1,853,937	-	181,982	-	208,151	-

	Profit (¥ millions)	Percentage change (%)	Profit attributable to owners of the parent (¥ millions)	Percentage change (%)	Total comprehensive income (¥ millions)	Percentage change (%)
Fiscal year ended						
December 31, 2017	266,810	60.4	242,057	62.5	314,729	207.2
December 31, 2016	166,290	-	148,918	-	102,456	-

	Basic earnings per share (¥)	Diluted earnings per share (¥)	Ratio of profit to equity attributable to owners of the parent (%)	Ratio of profit before tax to total assets (%)	Ratio of normalized operating profit to revenue (%)
Fiscal year ended					
December 31, 2017	265.24	265.22	29.1	9.7	10.4
December 31, 2016	163.19	163.18	22.0	8.5	9.8

Reference:	Share of profit of equity-accounted investees	December 31, 2017	¥26,519 million
		December 31, 2016	¥16,926 million
Reference:	Operating profit	December 31, 2017	¥211,066 million [7.4%]
		December 31, 2016	¥196,590 million [−%]
	Ratio of operating profit to revenue	December 31, 2017	11.3%
		December 31, 2016	10.6%

* 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.

(2) Financial position:

	Total assets (¥ millions)	Total equity (¥ millions)	Equity attributable to owners of the parent (¥ millions)	Equity ratio attributable to owners of the parent (%)	Equity per share attributable to owners of the parent (¥)
As of					
December 31, 2017	2,399,082	1,229,206	957,895	39.9	1,049.63
December 31, 2016	2,422,825	959,188	706,124	29.1	773.82

(3) Cash flows:

	Cash flows from operating activities (¥ millions)	Cash flows from investing activities (¥ millions)	Cash flows from financing activities (¥ millions)	Cash and cash equivalents at end of period (¥ millions)
Fiscal year ended December 31, 2017	221,710	63,214	(182,163)	161,987
Fiscal year ended December 31, 2016	232,263	(82,656)	(157,271)	66,499

2. Dividends

	Annual dividends				
	First quarter (¥)	Second quarter (¥)	Third quarter (¥)	Year-end (¥)	Total (¥)
Fiscal year ended December 31, 2016	–	19.00	–	20.00	39.00
Fiscal year ended December 31, 2017	–	20.50	–	25.50	46.00
Fiscal year ending December 31, 2018 (Forecast)	–	24.00	–	24.00	48.00

	Total amount of dividends (¥ millions)	Dividend pay-out ratio (%)	Ratio of dividends to equity attributable to owners of the parent (%)
Fiscal year ended December 31, 2016	35,588	23.9	5.3
Fiscal year ended December 31, 2017	41,980	17.3	5.0
Fiscal year ending December 31, 2018 (Forecast)		27.8	

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

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

	Revenue (¥ millions)	Percentage change (%)	Normalized operating profit (¥ millions)	Percentage change (%)	Profit before tax (¥ millions)	Percentage change (%)
Fiscal year ending December 31, 2018	1,960,000	5.2	196,000	0.9	235,000	0.5

	Profit (¥ millions)	Percentage change (%)	Profit attributable to owners of the parent (¥ millions)	Percentage change (%)	Basic earnings per share (¥)
Fiscal year ending December 31, 2018	180,000	(32.5)	155,000	(36.0)	172.94

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

* Notes

(1) Changes in significant subsidiaries for the year ended December 31, 2017 (Changes in specified subsidiaries accompanying change in scope of consolidation.): Yes

Newly included: ―	Excluded: 5 companies Brasil Kirin Holding S.A. Brasil Kirin Participacoes e Representacoes Ltda. Brasil Kirin Industria de Bebidas Ltda. Brasil Kirin Bebidas Ltda. Lion Nathan Enterprises Pty 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 December 31, 2017	914,000,000 shares
As of December 31, 2016	914,000,000 shares
ii. Number of treasury shares at the end of the period	
As of December 31, 2017	1,394,366 shares
As of December 31, 2016	1,484,147 shares
iii. Average number of shares during the period	
For the fiscal year ended December 31, 2017	912,579,083 shares
For the fiscal year ended December 31, 2016	912,522,962 shares

* The summary of consolidated financial results is not subject to audit.
* Information about proper usage of forecast business results, and other special instructions

(1) The Kirin Group adopted International Financial Reporting Standards ("IFRS") from the fiscal year ended December 31, 2017. Financial information for the previous fiscal year is presented in accordance with IFRS. For differences between IFRS and Japanese GAAP financial information, please refer to "3. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements (FIRST-TIME ADOPTION)" on page 36 of the attached materials.

(2) 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.

(3) The Company will post the Supplementary Documents to the Financial Results today, Wednesday, February 14, and will post the presentation materials from the financial results presentation to be held on Thursday, February 15, the presentation content (video) 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 fiscal year (January 1 – December 31, 2017), despite the geopolitical risks and underlying political instability overseas, the international financial markets remained stable with the key countries around the world on a course of economic recovery, and the global economy showed a modest recovery trend.

In Japan, despite the weak consumer spending observed in some parts of the country, many companies projected strong corporate profits based on the recovery trend in the global economy and the stable political situation domestically. This led to improvement in the arenas of employment and income, resulting in a modest recovery in the domestic economy.

The Kirin Group continued its efforts to address the three key strategies of the Kirin Group 2016-2018 Medium-Term Business Plan ("2016 MTBP") in order to restructure and revitalize Kirin, groupwide. During the FY2017, among the targets set in the 2016 MTBP, Kirin Holdings achieved a particularly significant result concerning "Restructure and revitalize low-profit businesses". The performance of each business company was on track as planned, including a significant profit increase for Kirin Beverage Company, Limited, and as a result, normalized operating profit marked the highest record*[1] In addition, due to the sale of Brasil Kirin, profit attributable to owners of the parent marked a record high.[*1] Meanwhile, Kirin Holdings reached the target of generating free cash flow stipulated in the 2016 MTBP ahead of schedule. Kirin Holdings also progressed in the repayment of interest-bearing liabilities led to improved financial strength. Brasil Kirin, as a result of advances toward its goal of structural reform in conjunction with the Group headquarters, showed signs of recovery in business performance in 2016, receiving acquisition proposals from multiple companies. Following a series of discussions, Kirin Holdings was decided that taking up such a proposal would be more beneficial to shareholders than independently maintaining the business in Brazil. Kirin Holdings finally transferred Brasil Kirin's entire stocks in May 2017.

Moreover, in order to achieve the New Kirin Group Vision 2021 ("New KV2021") that aims to co-achieve growth with our society, Kirin Holdings established the Kirin Group's CSV Commitment. Under the Commitment, the themes of "Health and Well-being", "Community Engagement", and "The Environment", all intrinsically related to the Group's business, were designated as the priority CSV*[2] issues to be addressed by the Group over the long term, and initiatives were undertaken to meet these goals via business activities in each business company. In particular, with regard to "Health and Well-being", the Kirin Group launched the new brand *iMUSE* as a brand to be rolled out across the Group, based on the Group's original product "*Lactococcus lactis* strain Plasma". [*3.]

From FY2017, in order to improve international comparability of financial information in the capital markets, the Kirin Group began to adopt voluntarily the International Financial Reporting Standards (IFRS) for the Group's consolidated financial statements pursuant to the Financial Instruments and Exchange Act, in place of the Japanese Generally Accepted Accounting Principles previously adopted.

As a result, although the sales volume of Kirin Brewery Company, Limited and that of Lion's beer, spirits, and wine business decreased, consolidated revenue reached the same level as last year due to higher technology licensing revenue in the Pharmaceuticals and Bio-chemicals Business, etc. Consolidated normalized operating profit increased as a result of an increase in profits for the Japan Integrated Beverages Business and for the Pharmaceuticals and Bio-chemicals Business. Consolidated profit before tax also increased due to gains on the sale of property, plant and equipment and improvement in investment profit and loss accounted for by the equity method. Profit attributable to owners of the parent also increased because of the increase in profit from discontinued operations resulting from the Brasil Kirin stock transfer.

*1 Compared with the past results under the Japanese Generally Accepted Accounting Principles.

*2 CSV: An acronym for Creating Shared Value; the aim is improvement in corporate values based on both "social values creation" and "economic values creation" through addressing social issues.

*3 Lactococcus Plasma: Lactic acid bacteria into which the Kirin Group has been undertaking research, the results of which have been presented/published at/in academic societies/journals. It is named after plasmacytoid dendritic cells that play an important role in the human body.

Kirin Holdings Company, Limited 2017 results:	
Consolidated revenue	¥1,863.7 billion, up 0.5%
Consolidated normalized operating profit[*1]	¥194.3 billion, up 6.8%
Consolidated profit before tax	¥233.8 billion, up 12.3%
Profit attributable to owners of the parent	¥242.1 billion, up 62.5%
(Reference)	
ROE	29.1%
Normalized EPS[*2]	¥151, up 8.6%

*1 Normalized operating profit: A profit index to measure the performance of normal continuing business, calculated by the following formula: Revenue – (Cost of sales + Selling, general and administrative expenses)

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

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

Adjusted profit = Profit ± Other operating income and expenses and other items after income taxes

Results by segment are as follows.

Japan Integrated Beverages Business

Kirin Brewery Company, Limited aims to be the company that puts consumers first, and has advanced efforts to generate values unique to Kirin. The market for beer products overall shrank because of the enforcement of the Standard for Fair Trading of Alcoholic Beverages in June, as well as the impact of unseasonable weather. Moreover, the company revised its trading conditions in January ahead of competitors to promote the fair trading of alcoholic beverages resulted in an increase in retail price during the first half of FY2017, etc. These effected sales volume decline year-on-year, particularly with the poor performance of the new genre category. On the other hand, the sales volume of the company's flagship brand *Ichiban Shibori*, that underwent a full-scale renewal in the second half of FY2017 with the aim of "becoming a mainstream beer in Japan", increased following the renewal at a rate higher than that of the overall market. In the ready-to-drink (RTD)[*1] category, overall sales increased, including the record-high annual sales volume of the *Kirin Hyoketsu* series that offered a range of products to meet wide-ranging consumer demands. In the non-alcoholic beer-taste beverage category, a new market category created by Kirin Brewery Company, Limited from the standpoint of addressing its responsibility as a manufacturer of alcoholic beverages, sales of the new product *Kirin ZERO ICHI* were very strong, contributing to the category's overall year-on-year sales volume increase of approximately 60%.

Mercian Corporation executed marketing activities focused on the key brands in each category to achieve sustainable growth in the overall wine market. The flagship brand *Château Mercian* received even higher acclaim as a result of the company's enhanced communication activities capitalizing on the 140th anniversary of Japanese wine production. In addition, with regard to *Château Mercian,* the company acquired many awards both at home and abroad. The sales volume of wine products overall increased from last year, driven by the strong performance of core brand *Oishii-Sankaboshizai-Mutenka Wine* in the domestic wine category, as well as by a steady sales increase in focal brands, including *Casillero del Diablo* in the imported wine category and the *World Selection* brand that has been developed to expand the wine consumer base.

Kirin Beverage Company, Limited, due to achieving sustainable and profitable growth, advanced its plans to build a robust brand framework and to transition to a highly profitable business structure. The sales volume of the flagship brand *Kirin Gogo-no-Kocha* set a record high, led by strong sales of the regular flavors, straight tea, milk tea, lemon tea, and *Oishii Muto* (sugar-free). The sales volume of *Kirin Nama-cha*, despite intensifying competition in the green tea category, increased year-on-year due to its consistently strong performance since the full-scale renewal in 2016. In the health and sport drinks category in which the company is taking up the challenge to generate values associated with Health and Well-being, the performance of the *Kirin Supli* series was very strong, boosting the overall sales volume in this category. However, due to stagnant sales of the flagship *Kirin FIRE* in the coffee category and the fallout from the unusually high demand for large PET bottled water recorded last year, etc., the overall sales volume of the soft drinks category decreased slightly from last year. Under these circumstances, the company continued to pursue efforts such as the SCM[*2] cost reductions to improve profitability.

As a result, in the Japan Integrated Beverages Business, consolidated revenue decreased due to a decrease in the sales volume of beer products for Kirin Brewery, Limited, etc. On the other hand, consolidated normalized operating profit increased as a result of increases in the sales volumes of RTD and non-alcoholic beer-taste beverage products for Kirin Brewery Company, Limited, etc. as well as progress in profitability through cost-cutting initiatives in Kirin Beverage Company, Limited and in each of other business companies.

*1 RTD: An acronym for “ready-to drink”; RTD liquors are packaged low-alcohol beverages sold in a pre-prepared ready-to-drink form.

*2 SCM: An acronym for Supply Chain Management, whereby the chain of activities is structured and managed efficiently from procurement of raw materials, production in plants to the supply/demand/distribution of finished products.

Japan Integrated Beverages Business 2017 results:	
Consolidated revenue	¥1,051.0 billion, down 1.0%
Consolidated normalized operating profit	¥72.5 billion, up 6.9%

Overseas Integrated Beverages Business

In Lion’s beer, spirits and wine business, beer sales volumes decreased year-on-year due to the termination of the beer sales license agreement with Anheuser-Busch InBev N.V. The company has focused on continuing to strengthen its core brands and investing in growth categories to return to profitable growth in the medium to long term. Despite the challenging conditions in the mature Australian beer market, sales volumes of James Squire and Furphy in the growing craft beer category. The recently launched, Iron Jack beer brand delivered strong sales. Lion’s Dairy & Drinks business was impacted by a surge in raw material prices resulting from the shortage of Australian oranges and increased prices for orange juice concentrate. However, sales volumes in the key milk-based beverages category increased, driven by the flagship brand Dare. Sales of both yoghurt and specialty cheeses also grew.

Lion continues to deliver its business transformation program, working on improving profitability through company-wide business process improvement and making significant progress in optimizing the performance of its supply chain and manufacturing footprint.

Myanmar Brewery executed sales activities that maximized its use of the brand portfolio established last year to reinforce its current top position in the Myanmar market. As the market for domestic consumption expanded, the sales volume of the flagship *Myanmar Beer* increased, centering on the canned product. The sales volume increased significantly driven by the low-price product *Andaman Gold*, that matches the current consumer environment in Myanmar,. The company also strengthened its production base via continuously expanding its facilities to ensure that demand during the peak sales period is met.

In Addition, the CCNNE*, a subsidiary of the soft drinks business in the United States, expanded its business scope by acquiring the Coca-Cola Refreshments manufacturing and sales business in the territories adjacent to its own in the northeastern part of the United States, following business restructuring of the Coca-Cola Group.

As a result, both consolidated revenue and consolidated normalized operating profit decreased in the Oceania Integrated Beverages Business because of the sales volume decrease in Lion’s beer, spirits, and wine business, as well as the surge in the price of orange juice in Lion’s dairy and drinks business.

In the Other Overseas Integrated Beverages Business, consolidated revenue increased due to a revenue increase for Myanmar Brewery and the impact of the business takeover in the United States. Consolidated normalized operating profit decreased due to an increase in the initial costs associated with the business takeover, etc.

*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 2017 results:	
Consolidated revenue	¥348.6 billion, down 2.5%
Consolidated normalized operating profit	¥52.6 billion, down 0.3%

Other Overseas Integrated Beverages Business 2017 results:	
Consolidated revenue	¥99.9 billion, up 40.8%
Consolidated normalized operating profit	¥13.4 billion, down 1.4%

Pharmaceuticals and Bio-chemicals Businesses

In the Pharmaceuticals business, Kyowa Hakko Kirin Company addressed strategic challenges due to making great strides to become a global specialty pharmaceutical company. In the domestic market, sales of the new drug category like G-LASTA*[1] remained solid, but overall sales declined because of the penetration of generic drugs following government measures to reduce medical costs. In the overseas market, revenues increased due to upfront and milestone payments etc., from AstraZeneca on top of strong sales in each country. In the research and development activities, the company made steady progress to develop global strategic products. KRN23*[2] obtained an affirmative opinion recommending conditional approval in Europe. The approval application for KRN23 was also accepted in the United States, and it was granted Priority Review status. Furthermore, the company has submitted approval applications in the United States and Europe for KW-0761[*3] due to its success in phase III study targeting cutaneous T-cell lymphoma.[*4] KW-0761 was also designated a priority review status in the United States. In the Bio-chemicals business, domestic sales reached the same level as last year as a result of strong sales of *Arginine EX* launched in 2016 in the mail-order business and of solid sales of pharmaceutical and health food raw materials. Sales of pharmaceutical and health food raw materials were also strong in the Americas and Europe; however, overseas sales remained at the same level as last year due to intensified competition for some products in the Asian market.

As a result, in the Pharmaceuticals and Bio-chemicals Business, despite decreased domestic sales of pharmaceutical products, both consolidated revenue and consolidated normalized operating profit increased because of higher technology licensing revenue and lower research and development costs, among other factors.

*1 G-LASTA: A drug to increase neutrophils, a type of white blood cells.

*2 KRN 23(generic name: burosumab): A drug under development for the treatment of X-linked hypophosphatemia (XLH), a bone growth/maintenance disorder which is dominantly inherited. XLH is a rare condition characterized by rickets or osteomalacia.

*3 KW-0761(generic name: mogamulizumab): A drug sold under the product name in Japan POTELIGEO@ to treat certain hematologic cancers, currently also under development in the Europe and the United States.

*4 Cutaneous T-cell lymphoma: A relatively rare type of malignant lymphoma of the skin. Malignant T-lymphocytes localize on the skin, and the disease may involve skin, blood, lymph nodes, viscera, and other tissues.

Pharmaceuticals and Bio-Chemicals Business 2017 results:

Consolidated revenue	¥346.7 billion, up 1.5%
Consolidated normalized operating profit	¥62.2 billion, up 20.9%

<Outlook for 2018>

During the FY 2017, the revenue structure reform of the Kirin Group as a whole advanced further due to increased profit for Kirin Beverage Company, Limited, etc. However, the priority challenges of the 2016 MTBP, challenges remained regarding “Invest, strengthen, and grow profit base in the beer businesses” due to the sales volume decrease of Kirin Brewery Company, Limited, among other reasons, against a backdrop of shrinkage of the entire domestic market for beer products. During the FY 2018, the final year of 2016 MTBP, to achieve “the restructuring and revitalization of Kirin, Groupwide”, will place the top priority on strengthening the revenue structure of Kirin Brewery Company, Limited, and activating the maturing domestic alcoholic beverage market accordingly. Meanwhile, Kirin Holdings will capitalize on the growing Southeast Asian market via initiatives led by Myanmar Brewery and will further grow the Pharmaceuticals and Bio-chemicals Businesses in order to ensure that the 2016 MTBP is achieved.

Cash generated through structural reform will be allocated preferentially to investment for future growth based on the premise of maintaining the desired capital structure. Increasing shareholder return centering on dividend payout is also under consideration.

Based on the New Kirin Group Vision presented in the New KV 2021, Kirin Holdings will apply its technological strengths to generating solid value and will direct its marketing capability toward understanding and making proposals. to a wide range of consumers in the alcoholic drinks, beverages, and pharmaceutical/bio-chemical business. In addition, Kirin Holdings will achieve sustainable growth both for the Group and for society with the aim of both addressing social issues and providing value to consumers.. In its pledge to engage with social issues, Kirin will intensify efforts to address “Health and Well-being”, “Community Engagement”, and “The Environment”, which are the priority CSV issues based on the Group’s CSV Commitment, simultaneously generating both social and economic value. In particular, concerning “Health and Well-being”, Kirin Holdings will strengthen cooperation between the alcoholic drinks/beverages businesses and the pharmaceuticals/bio-chemicals businesses to make the issue a driver for future growth. In more concrete terms, for the *Lactococcus lactis* strain Plasma market penetration, Kirin Holdings will increase sales of iMUSE, develop new sales channels, and expand its partnership with other companies. At the same time, Kirin Holdings will look for and exploit new business opportunities across the board, from food to medicine.

Kirin Holdings will also consider “brands”, “research and development”, “manufacturing/IT”, and “human resources” to be key capital assets supporting sustainable growth and will invest in them for the medium to long term. Leadership development will be highlighted as the most critical issue in the human resource strategy to create a highly diverse organizational culture that will drive innovation.

Consolidated Earnings Forecasts for the Fiscal Year 2018:

Consolidated revenue	¥1,960.0 billion, up 5.2%
Consolidated normalized operating profit*1	¥196.0 billion, up 0.9%
Consolidated profit before tax	¥235.0 billion, up 0.5%
Profit attributable to owners of the parent	¥155.0 billion, up (36.0%)
(Reference)	
ROE	16.0%
Normalized EPS	¥157, up 4.0%

Japan Integrated Beverages Business

Kirin Brewery Company, Limited will continuously focus on enhancing the appeal of the beer category, while executing marketing strategies for regeneration that will yield higher return on investment by narrowing down target brands and priority activities. In the beer category, the company will increase contact points with *Ichiban Shibori* consumers through community-based sales activities to further grow the brand. As for craft beer, which will receive a boost from the upcoming redefinition of beer following the Liquor Tax Act revision in April, the company will continue to produce beer with special characteristics, such as a variety made with domestic hops. It will also roll out the *Tap Marché* operation across the country to accelerate market revitalization. In the new genre category, in which urgent action is needed, the company will strengthen the *Kirin Nodogoshi Nama* brand in such a way as to garner consumer empathy and will propose products to meet consumer expectations. In the RTD category, an expanding market, the company will broaden consumer support via a wide range of product variations centered on the *Hyoketsu* series. At the same time, the company will make efforts to reform the revenue structure via revising the prices of bottled and keg beer products as well as by cost reductions.

Mercian Corporation will drive the expansion of the wine market by boldly taking up the challenge to further communicate the appeal of wine as well as by swiftly responding to consumer demands. The company will select and intensively develop focus brands in each category, and also aim to generate proposals and develop products to expand the wine consumer base. As for *Château Mercian*, the company will continue to strengthen the brand, and will deepen its collaboration with grape production areas by establishing new wineries in Nagano Prefecture, etc., to enlighten consumers about the value of Japanese wine. The company will also execute the necessary steps to achieve these plans, including strengthening organizational capabilities and increasing the profitability of the wine business.

Kirin Beverage Company, Limited will move from a stage of revenue structure reform to one of profit generation based on growth, and work on further strengthening the robust brand framework. Under the brand portfolio centering on black tea, green tea, and coffee, the company will aim to expand both revenue and profits, while taking up the challenge to generate growth opportunities. Meanwhile, to build a sustainable business framework, the company will consolidate its business foundation via increasing activities based on the CSV perspective and seeking all possible measures to reduce SCM costs, including collaboration with direct competitors, among other initiatives.

Overseas Integrated Beverages Business

Lion's beer, spirits, and wine business continues to deliver on the refreshed brand portfolio strategy in order to focus on strengthening brands in growing categories. The company will also continue to focus on its craft beer products to meet the growing market in these products. Lion's Dairy & Drinks business will expand sales volumes in the key milk-based beverage category and the growing yoghurt category through brand strengthening and rebuilding sales networks. The business will continue to work on cost reduction by optimising the performance of its supply chain and manufacturing footprint as well initiatives to achieve stable, sustainable procurement of raw materials.

Myanmar Brewery will execute effective marketing strategies utilizing the Kirin Group's insights to deepen understanding of the market and of consumers so as to secure its overwhelmingly dominant position in the Myanmar market. In line with changes in the competitive environment and the market environment, the company will also solidify *Myanmar Beer* as a brand that inspires pride in the people of Myanmar. Meanwhile, by introducing state-of-the-art facilities, the company will complete its plan as scheduled to strengthen its production base, which will serve not only to upgrade production capacity but also to reduce its environmental impact, in order to capture the growing demand for beer.

Pharmaceuticals and Bio-chemicals Businesses

In the Pharmaceuticals business, Kyowa Hakko Kirin Company, Limited will pursue its goal of becoming a global specialty pharmaceutical company, carry out preparations for the market launch of global strategic drugs KRN23 and KW-0761 in Europe and the United States, and aim to maximize the product value after the launch. The company will also execute measures to penetrate existing products centering on new drugs, to strengthen customer relations by area, and to expand the new development pipeline. In the Bio-chemicals business, the company will strengthen its revenue base via developing new products and reorganizing production sites to generate highly profitable business in the future. Actions will also be taken continuously to develop innovative products by combining Kyowa Hakko Kirin's original materials, providing value focused on health and well-being.

(2) FINANCIAL POSITION

Total assets as of December 31, 2017 were ¥2,399.1 billion, a decrease of ¥23.7 billion compared to December 31, 2016, as a result of an increase in cash and cash equivalents as well as a decrease in trade and other receivables and in property, plant, and equipment, etc.

Total equity as of December 31, 2017 were ¥1,229.2 billion, an increase of ¥270.0 billion compared to December 31, 2016, due to an increase in retained earnings, etc.

Total liabilities as of December 31, 2017 were ¥1,169.9 billion, a decrease of ¥293.8 billion compared to December 31, 2016, owing to a decrease in trade and other payables and in interest-bearing liabilities, etc.

The main reason for the above changes is the sale of stocks of the consolidated Brazilian subsidiary.

The balance of cash and cash equivalents as of December 31, 2017 was ¥162.0 billion, an increase of ¥95.5 billion compared to December 31, 2016. Consolidated cash flows were as follows.

Cash flows from operating activities

Net cash provided by operating activities was ¥221.7 billion, a decrease of ¥10.6 billion compared to the previous consolidated fiscal year. Income taxes paid, etc. increased by ¥17.9 billion, while outflow of working capital increased by ¥14.0 billion.

Cash flows from investing activities

Net cash provided by investing activities increased by ¥145.9 billion from the previous consolidated fiscal year to ¥63.2 billion. Outflow for the acquisition of property, plant and equipment and intangible assets decreased by ¥10.6 billion from the previous consolidated fiscal year to ¥88.8 billion, and outflow for acquisition of business and for acquisition of investments was ¥22.6 billion and ¥12.2 billion, respectively. On the other hand, the following income was generated: ¥93.0 billion from the sale of shares of subsidiaries: ¥47.9 billion from the sale of property, plant and equipment and intangible assets; ¥37.6 billion from the collection of loans receivable, and ¥7.6 billion from the sale of investments.

Cash flows from financing activities

Net cash used in financing activities increased by ¥24.9 billion from the previous consolidated fiscal year to ¥182.2 billion. While proceeds of ¥17.6 billion were received from the settlement of derivatives, outflow included ¥86.6 billion for the repayment of long-term borrowings, ¥45.9 billion for dividends paid, ¥45.0 billion for a decrease in commercial paper, and ¥15.7 billion for a decrease in short-term borrowings.

Changes in Kirin Group's cash flow indices

	FY2016	FY2017
Equity ratio attributable to owners of the parent (%)	29.1	39.9
Equity ratio attributable to owners of the parent based on market capitalization (%)	71.6	108.1
Debt service coverage ratio (%)	316.6	247.7
Interest coverage ratio	24.8	31.7

(Notes)

1. Equity ratio attributable to owners of the parent: Equity attributable to owners of the parent / Total assets
2. Equity ratio attributable to owners of the parent based on market capitalization: Market capitalization / Total assets
3. Debt service coverage ratio: Interest-bearing liabilities / Operating cash flow
4. Interest coverage ratio: Operating cash flow / Interest expense

*All indices are calculated from consolidated financial data.

*"Market capitalization" equals Market price on last trading day of the period × Total shares outstanding at the end of the period (excluding treasury stock).

*"Operating cash flow" refers to net cash provided by operating activities in the consolidated statement of cash flows. "Interest-bearing liabilities" refer to all liabilities with interest payable recorded in the liabilities section of the consolidated statement of financial position. "Interest expense" refers to the amount of interest paid recorded in the consolidated statement of cash flows.

(3) BASIC POLICY AND DISTRIBUTION OF PROFITS AND DIVIDEND FOR 2017 AND 2018

Kirin views the appropriate distribution of profits to shareholders as a key management matter and has distributed a dividend to shareholders in every financial period since its establishment in 1907. Management believes that shareholders' needs can be met by continuously providing a stable dividend in each period based on a comprehensive assessment of business performance, the consolidated target payout ratio taking real earnings into account, and future capital requirements for business management, etc. Retained earnings will be allocated to business and capital investments that contribute to enhancing the future value of the enterprise. Kirin will also consider opportunities to acquire treasury stock based on financial flexibility and progress made in creating free cash flow.

In accordance with this policy, considering the operating results for 2017 and the management environment, etc. with regard to the distribution of surplus funds for 2017, Kirin's Board of Directors made a resolution on an interim dividend of ¥20.5 per share and a year-end dividend of ¥25.5 per share, for an annual dividend totaling ¥46 per share (an increase of ¥7 per share from the previous year). The year-end dividend of ¥25.5 will be determined at the 179th General Meeting of Shareholders scheduled for March 29, 2018. As for the distribution of surplus funds for 2018, Kirin aims for a consolidated payout ratio on normalized EPS of at least 30%,* as stated in the Kirin Group Medium-Term Business Plan 2016–2018, and plans to pay a full-year dividend of ¥48 per share.

* The consolidated payout ratio is based on the Japanese Generally Accepted Accounting Principles up to and including FY2016, and on the IFRS from FY2017.

2. MANAGEMENT POLICY

(1) BASIC APPROACH

In FY2016, the Kirin Group adopted the New Kirin Group Vision 2021 (New KV2021), its Long-Term Management Vision towards 2021, and the Kirin Group 2016–2018 Medium-Term Business Plan (2016 MTBP), a three-year business plan covering the first half of the New KV2021 for implementation of the vision.

New Kirin Group Vision 2021

Kirin will apply the Group's technological strengths throughout the business, focusing on the alcohol, beverages, and pharmaceuticals& bio-chemical segments, with the aim of addressing social issues and providing value to customers in addition to achieving sustainable growth for the Group and society.*

Meanwhile, based on our global common values (known as "One Kirin" Values: "Passion and Integrity"), we will also build stronger links with and between Kirin's diverse businesses and operating regions, and pursue growth as a global corporate citizen.

*In its efforts to engage with social issues, Kirin is committed to addressing alcohol-related problems, etc. as a responsible alcohol producer, and has positioned "Health and Well-being", "Community Engagement", and "The Environment", which are intrinsically related to the Group's businesses, as the Group's long-term CSV priority issues. Based on the Kirin Group's CSV commitments which define the Group's social contribution and the relevant policies on these priority issues, each of the Group's main companies aims to realize the creation of social and economic values in its own business arena.

(2) MEDIUM- AND LONG-TERM MANAGEMENT STRATEGIES AND TARGET MANAGEMENT INDICES

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

The 2016 MTBP places top priority on improving profitability, via increasing the competitiveness of existing businesses through clearly prioritized investment and executing drastic structural reform of low-profit businesses.

<Basic policy>

Restructure and revitalize Kirin, groupwide

<Priority challenges>

(1) Invest, strengthen, and grow profit base in the beer businesses

(2) Restructure and revitalize low-profit businesses

(3) Invest to achieve outstanding growth in the pharmaceutical and bio-chemicals businesses

<Quantitative targets>

From FY2017, the Kirin Group began the voluntary adoption of the International Financial Reporting Standards (IFRS) for the Group's consolidated financial statements pursuant to the Companies Act and consolidated financial statements pursuant to the Financial Instruments and Exchange Act, in place of the Japanese Generally Accepted Accounting Principles previously adopted. Along with this change, in line with the accounting process under the IFRS, the indexes mentioned in the 2016 MTBP quantitative targets have been translated to "ROE" and "normalized EPS".

ROE: 15% or higher

CAGR in normalized EPS*: 6% or higher

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

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

Adjusted profit = Profit ± Other operating income and expenses and other items after income taxes

2018 Kirin Group consolidated normalized operating profit guidance when the above targets are achieved: 190 billion yen or higher.

(3) ONGOING CHANGES

Please see "Outlook for 2018" of (1) Statement of Business Activities and Results in 1. Kirin Group's Current Business Performance.

3. BASIC RATIONALE FOR SELECTION OF ACCOUNTING STANDARDS

The Kirin Group is considering the application of IFRS Standards from the fiscal year ending December 31, 2017 to enhance the international comparability of its financial information in the capital market.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(¥ millions)

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

(¥ millions)

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

(2) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(¥ millions)

	Year ended December 31, 2016	Year ended December 31, 2017
Continuing operations		
Revenue	1,853,937	1,863,730
Cost of sales	1,066,642	1,051,196
Gross profit	787,296	812,534
Selling, general and administrative expenses	605,313	618,215
Normalized operating profit	181,982	194,318
Other operating income	40,394	46,853
Other operating expenses	25,786	30,106
Operating profit	196,590	211,066
Finance income	3,963	4,829
Finance costs	9,329	11,084
Share of profit of equity-accounted investees	16,926	26,519
Gain on sale of equity-accounted investees	-	2,448
Profit before tax	208,151	233,776
Income tax expense	50,051	51,946
Profit from continuing operations	158,100	181,831
Discontinued operations		
Profit from discontinued operations	8,190	84,980
Profit	166,290	266,810
Profit attributable to		
Owners of the parent	148,918	242,057
Non-controlling interests	17,372	24,753
Profit	166,290	266,810
Earnings per share (Yen)		
Basic earnings per share		
Continuing operations	154.22	172.12
Discontinued operations	8.98	93.12
Basic earnings per share	163.19	265.24
Diluted earnings per share		
Continuing operations	154.21	172.10
Discontinued operations	8.98	93.12
Diluted earnings per share	163.18	265.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(¥ millions)

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

(3) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2016

(¥ millions)

	Equity attributable to owners of the parent					
					Reserves	
	Share capital	Share premium	Retained earnings	Treasury shares	Net change in equity instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2016	102,046	-	484,872	(2,104)	63,843	-
Profit	-	-	148,918	-	-	-
Other comprehensive income	-	-	-	-	(3,381)	(6,506)
Comprehensive income	-	-	148,918	-	(3,381)	(6,506)
Dividends from surplus	-	-	(34,676)	-	-	-
Acquisition of treasury shares	-	-	-	(24)	-	-
Disposal of treasury shares	-	0	-	1	-	-
Share-based payments	-	-	-	-	-	-
Changes in the ownership interest of a subsidiary without a loss of control	-	2	-	-	-	-
Transfer from reserves to retained earnings	-	-	(1,476)	-	(5,030)	6,506
Other	-	-	-	-	-	-
Total transactions with owners of the parent	-	2	(36,152)	(23)	(5,030)	6,506
Balance at December 31, 2016	102,046	2	597,638	(2,127)	55,432	-

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Reserves			Total		
	Foreign currency translation differences on foreign operations	Cash flow hedges	Total			
Balance at January 1, 2016	-	(3,278)	60,565	645,379	254,864	900,243
Profit	-	-	-	148,918	17,372	166,290
Other comprehensive income	(41,736)	(1,853)	(53,476)	(53,476)	(10,359)	(62,835)
Comprehensive income	(41,736)	(1,853)	(53,476)	95,442	7,014	102,456
Dividends from surplus	-	-	-	(34,676)	(9,005)	(43,681)
Acquisition of treasury shares	-	-	-	(24)	-	(24)
Disposal of treasury shares	-	-	-	1	-	1
Share-based payments	-	-	-	-	132	132
Changes in the ownership interest of a subsidiary without a loss of control	-	-	-	2	(4)	(2)
Transfer from reserves to retained earnings	-	-	1,476	-	-	-
Other	-	-	-	-	63	63
Total transactions with owners of the parent	-	-	1,476	(34,697)	(8,814)	(43,511)
Balance at December 31, 2016	(41,736)	(5,131)	8,565	706,124	253,064	959,188

Year ended December 31, 2017

(¥ millions)

	Equity attributable to owners of the parent					
					Reserves	
	Share capital	Share premium	Retained earnings	Treasury shares	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	-	-	242,057	-	-	-
Other comprehensive income	-	-	-	-	18,149	8,726
Comprehensive income	-	-	242,057	-	18,149	8,726
Dividends from surplus	-	-	(36,959)	-	-	-
Acquisition of treasury shares	-	-	-	(56)	-	-
Disposal of treasury shares	-	0	-	1	-	-
Change of scope of consolidation	-	-	-	-	-	-
Share-based payments	-	76	-	162	-	-
Changes in the ownership interest of a subsidiary without a loss of control	-	2,130	-	-	(0)	-
Transfer from reserves to retained earnings	-	-	8,784	-	(58)	(8,726)
Other	-	-	-	-	-	-
Total transactions with owners of the parent	-	2,206	(28,175)	107	(58)	(8,726)
Balance at December 31, 2017	102,046	2,208	811,520	(2,020)	73,523	-

	Equity attributable to owners of the parent				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	-	-	-	242,057	24,753	266,810
Other comprehensive income	14,117	3,100	44,092	44,092	3,826	47,918
Comprehensive income	14,117	3,100	44,092	286,149	28,579	314,729
Dividends from surplus	-	-	-	(36,959)	(9,740)	(46,699)
Acquisition of treasury shares	-	-	-	(56)	-	(56)
Disposal of treasury shares	-	-	-	1	-	1
Change of scope of consolidation	-	-	-	-	(3,267)	(3,267)
Share-based payments	-	-	-	239	135	374
Changes in the ownership interest of a subsidiary without a loss of control	268	-	268	2,397	2,537	4,935
Transfer from reserves to retained earnings	-	-	(8,784)	-	-	-
Other	-	-	-	-	2	2
Total transactions with owners of the parent	268	-	(8,517)	(34,378)	(10,332)	(44,711)
Balance at December 31, 2017	(27,351)	(2,031)	44,141	957,895	271,311	1,229,206

(4) CONSOLIDATED STATEMENT OF CASH FLOWS

(¥ millions)

	Year ended December 31, 2016	Year ended December 31, 2017
Cash flows from operating activities		
Profit before tax	208,151	233,776
Profit before tax from discontinued operations	3,883	19,778
Depreciation and amortization	71,615	69,233
Impairment losses	4,228	8,027
Interest and dividends received	(6,579)	(6,048)
Share of profit of equity-accounted investees	(16,926)	(26,519)
Interest paid	10,388	13,769
Gain on sale of property, plant and equipment and intangible assets	(8,484)	(34,538)
Loss on disposal and sale of property, plant and equipment and intangible assets	4,692	1,624
Gain on sale of shares of subsidiaries	(15,468)	(2,416)
Gain on sale of discontinued operations	-	(33,237)
Gain on sale of equity-accounted investees	-	(2,448)
Gain on transfer of business	-	(4,818)
(Increase) decrease in trade receivables	8,170	5,432
(Increase) decrease in inventories	15,508	(879)
Increase (decrease) in trade payables	(6,269)	(3,342)
Increase (decrease) in liquor taxes payable	(5,193)	(3,004)
Other	626	30,531
Sub-total	268,342	264,921
Interest and dividends received	16,549	24,923
Interest paid	(9,375)	(6,986)
Income taxes paid	(43,252)	(61,148)
Cash flows from operating activities	232,263	221,710

(¥ millions)

	Year ended December 31, 2016	Year ended December 31, 2017
Cash flows from investing activities		
Payments into time deposits	(413)	(54,939)
Proceeds from withdrawal of time deposits	4,442	54,557
Acquisition of property, plant and equipment and intangible assets	(99,397)	(88,828)
Proceeds from sale of property, plant and equipment and intangible assets	20,305	47,945
Acquisition of investments	(4,148)	(12,238)
Proceeds from sale of investments	16,183	7,625
Acquisition of business, net of cash acquired	-	(22,585)
Proceeds from transfer of business, net of cash disposed of	-	6,136
Proceeds from sale of shares of subsidiaries, net of cash disposed of	-	25,691
Proceeds from sale of discontinued operations, net of cash disposed of	-	67,332
Acquisition of equity-accounted investees	(17,112)	(5,191)
Proceeds from sale of equity-accounted investees	-	2,739
Collection of loans receivable	-	37,600
Other	(2,517)	(2,630)
Cash flows (used in) from investing activities	(82,656)	63,214
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(19,428)	(15,707)
Increase (decrease) in commercial paper	45,000	(45,000)
Proceeds from long-term borrowings	15,742	-
Repayment of long-term borrowings	(122,346)	(86,580)
Payment for redemption of bonds	(30,000)	-
Payment for acquisition of treasury shares	(60)	(89)
Proceeds from settlement of derivatives	-	17,589
Dividends paid	(34,676)	(36,959)
Dividends paid to non-controlling interests	(8,527)	(8,892)
Other	(2,975)	(6,525)
Cash flows used in financing activities	(157,271)	(182,163)
Effect of exchange rate changes on cash and cash equivalents	(5,577)	(7,272)
Net increase (decrease) in cash and cash equivalents	(13,241)	95,489
Cash and cash equivalents at beginning of year	79,740	66,499
Cash and cash equivalents at end of year	66,499	161,987

(5) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(GOING CONCERN ASSUMPTION)

There are no matters to report under this item.

(REPORTING ENTITY)

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

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

(BASIS OF PREPARATION)

(1) Compliance with IFRS and first-time adoption thereof

In accordance with Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 in 1976), the Group's consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") as the Group meets the requirements concerning the "Specified Company Complying with Designated International Accounting Standards" prescribed in Article 1-2 of the Ordinance.

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

(2) Basis of measurement

The Group's consolidated financial statements have been prepared based on historical cost, except for specific financial instruments and other assets as set out in "SIGNIFICANT ACCOUNTING POLICIES."

(3) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, and fractions less than one million yen are rounded to the nearest million.

(4) Key accounting judgments, estimates and assumptions

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

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

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

- Significant assumptions used for discounted future cash flow projections in impairment tests for property, plant and equipment, goodwill and intangible assets
- Recoverability of deferred tax assets
- Measurement of defined benefit obligations
- Accounting for, and assessment of, provisions
- Fair value measurement of financial instruments
- Probability of an outflow of future economic benefits embodied in contingent liabilities

(SIGNIFICANT ACCOUNTING POLICIES)

(1) Basis of consolidation

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

1) Subsidiaries

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

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

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

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

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

2) Associates

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

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

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

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

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

3) Joint arrangements

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

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

4) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

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

(2) Foreign currency translation

1) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions or an approximation of the rate.

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

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

2) Foreign operations

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

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

(3) Financial instruments

The Group has early adopted IFRS 9 "Financial Instruments" (revised in July 2014; "IFRS 9") on first-time adoption of IFRS.

1) Financial assets

(i) Initial recognition and measurement

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

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets measured at fair value

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

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

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

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

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

(iii) Derecognition

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

2) Impairment of financial assets

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

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

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

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

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

However, regardless of the above, for certain financial assets such as trade receivables without a significant financing component, allowance for doubtful accounts is measured at an amount equal to lifetime expected losses (the simplified approach).

Expected credit losses are measured using reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group, in principle, determines that the credit risk on a financial asset has increased significantly since initial recognition if it is more than 30 days past due on the contract, and that a financial asset is in default if it is more than 90 days past due. When a financial asset is in default or when there is evidence of impairment including significant financial difficulty of the issuer or borrower, the Group determines that the financial asset is credit-impaired.

If the Group reasonably considers that there are no prospects of the full or partial recovery of financial assets, the carrying amount of the financial assets is written off.

3) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified into financial liabilities measured at fair value through profit or loss and at amortized cost. The Group determines the classification at initial recognition of the financial liabilities.

All financial liabilities are initially measured at fair value; provided, however, that financial liabilities measured at amortized cost are measured at fair value less transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent measurement

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

(a) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as measured at fair value through profit or loss at initial recognition.

(b) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method after initial recognition. Amortized cost using the effective interest method as well as any gain or loss on derecognition is recognized in the consolidated statement of profit or loss.

(c) Financial guarantee contracts

After initial recognition, financial guarantee contracts are measured at the higher of:

- the amount of allowance for doubtful accounts determined in accordance with 2) Impairment of financial assets above; and
- the amount initially measured less the cumulative amount of income recognized in accordance with the principles of IFRS 15 “Revenue from Contracts with Customers.”

(iii) Derecognition

Financial liabilities are derecognized when the obligations are discharged or cancelled, or expire.

4) Derivatives and hedge accounting

The Group utilizes derivatives, including forward foreign exchange contracts, currency swaps, interest rate swaps and commodity swaps, to hedge foreign exchange risk, interest rate risk and commodity price risk. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value.

Changes in the fair value of derivatives are recognized in the consolidated statement of profit or loss. However, the effective portion of cash flow hedges and hedges of net investment in foreign operations are recognized in the consolidated statement of comprehensive income.

At the inception of the hedge, the Group formally designates and documents the hedging relationship to which hedge accounting is applied and the objectives and strategies of risk management for undertaking the hedge. The documentation includes specific hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how the effectiveness of changes in the fair value of hedging instruments is assessed in offsetting the exposure to changes in the hedged item’s cash flows attributable to the hedged risks. Even though these hedges are expected to be highly effective in offsetting changes in cash flows, they are assessed on an ongoing basis to determine whether they have actually been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the requirements for hedge accounting are classified in the following categories and accounted for in accordance with IFRS 9:

(i) Cash flow hedge

The effective portion of gains or losses on hedging instruments is recognized in the consolidated statement of comprehensive income, while the ineffective portion is recognized immediately in the consolidated statement of profit or loss.

The amounts of hedging instruments recorded in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gain or loss that has been recognized in equity through other comprehensive income is reclassified to profit or loss. When hedging instruments expire, are sold, terminated or exercised without the replacement or rollover of other hedging instruments, or when the hedge designation is revoked, the amounts that have been recognized in equity through other comprehensive income continue to be recorded in equity until the forecast transactions or firm commitments occur.

(ii) Hedge of net investment in foreign operations

Exchange differences resulting from net investments in foreign operations are accounted for similarly to cash flow hedges. The effective portion of gains or losses on hedging instruments is recognized in the consolidated statement of comprehensive income, while the ineffective portion is recognized in the consolidated statement of profit or loss. At the time of the disposal of the foreign operations, any related cumulative gain or loss that has been recognized in equity through other comprehensive income is reclassified to profit or loss.

5) Fair value of financial instruments

The fair value of financial instruments that are traded in active financial markets at the reporting date refers to quoted market prices.

If there is no active market, the fair value of financial instruments is determined using appropriate valuation techniques.

(4) Property, plant and equipment

Property, plant, and equipment is measured using the cost model after initial recognition and is stated at cost less accumulated depreciation and accumulated impairment losses.

The cost includes any costs directly attributable to the acquisition of the asset and the initial estimate of the costs of dismantling, removal and restoration.

The depreciation of assets other than land and construction in progress is recorded using the straight-line method over their estimated useful lives. The estimated useful lives of major assets by category are as follows:

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

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

(5) Goodwill

Goodwill arising from a business combination is stated at cost less accumulated impairment losses.

Goodwill is not amortized. It is allocated to cash-generating units or groups of cash-generating units and is tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in profit or loss and no subsequent reversal is made.

The measurement of goodwill at initial recognition is provided in (1) Basis of consolidation 4) Business combinations.

(6) Intangible assets

Intangible assets are measured using the cost model after initial recognition and are stated at cost less any accumulated amortization and accumulated impairment losses. The cost includes costs directly attributable to the acquisition of the asset, employee benefit expenses incurred and costs related to services consumed in internally generating the intangible asset.

1) Intangible assets acquired separately

Intangible assets acquired separately are measured at cost at initial recognition.

2) Intangible assets acquired through business combinations

Intangible assets acquired through business combinations are measured at fair value at the date of acquisition.

3) Internally generated intangible assets (development costs)

Research and development expenses generated in the Group are expensed when incurred, except for expenditures on development activities for which the Group can demonstrate all of the following requirements for capitalization:

・The technical feasibility of completing the intangible asset so that it will be available for use or sale.

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

Major intangible assets of the Group are as follows:

(i) Brands

Brands are initially recognized at cost. In principle, as intangible assets with indefinite useful lives, they are not amortized because it is not possible to foresee the period over which their net cash inflows are expected to continue, and are tested for impairment annually or whenever there is any indication of impairment.

(ii) Marketing rights

Marketing rights are initially recognized at cost. They are amortized using the straight-line method over their estimated useful lives (5-20 years), and are tested for impairment whenever there is any indication of impairment.

(iii) Other

Other intangible assets are initially recognized at cost. Those with finite useful lives are amortized using the straight-line method over their estimated useful lives, and are tested for impairment whenever there is any indication of impairment. Those with indefinite useful lives are not amortized and are tested for impairment annually or whenever there is any indication of impairment.

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

(7) Leases

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

(8) Income taxes

Income taxes are the sum of current taxes and deferred taxes.
Current taxes are measured at the amount that is expected to be paid to or refunded from the taxation authorities. In determining the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current taxes are recognized in profit or loss, except for taxes arising from items that are recognized directly in other comprehensive income or in equity and taxes arising from business combinations.
Deferred taxes are determined based on the temporary differences between the tax base for assets and liabilities and their carrying amount for accounting purposes at the reporting date. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. However, deferred tax assets or liabilities are not recorded for:

・temporary differences arising from the initial recognition of goodwill;
・temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of transaction, affects neither accounting profit nor taxable

profit (tax loss);

- deductible temporary differences related to investments in subsidiaries and associates, and interests in joint arrangements to the extent that it is probable that the temporary differences will not reverse in the foreseeable future or it is not probable that future taxable profits will be available against which the temporary differences can be utilized; and
- taxable temporary differences related to investments in subsidiaries and associates, and interests in joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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

(9) Impairment of non-financial assets

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

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

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

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

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

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

(10) Inventories

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

(11) Cash and cash equivalents

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

(12) Non-current assets held for sale and discontinued operations

1) Non-current assets held for sale

Assets or asset groups whose value is expected to be recovered through sale rather than through continuing use are classified as non-current assets or disposal groups held for sale if it is highly probable that the assets or asset groups will be sold within one year, the assets or asset groups are available for immediate sale in their present condition, and the Group's management has made a commitment to sell the assets or asset groups. In such cases, the non-current assets are not depreciated or amortized and are measured at the lower of their carrying amount and fair value less costs of disposal.

2) Discontinued operations

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

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

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

(13) Equity

1) Ordinary shares

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

2) Treasury shares

When treasury shares are acquired, the amount of the consideration paid, which includes associated costs (net of tax), is recognized as a deduction from equity.

When treasury shares are sold, any difference between the carrying amount and the consideration received at the time of sale is recognized as share premium.

3) Dividends

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

(14) Employee benefits

1) Post-employment benefits

The Group has defined benefit-type and defined contribution-type pension plans and provides lump-sum severance payment plans, defined benefit corporate pension plans and employees' pension fund plans as defined benefit-type plans.

For each defined benefit plan, the Group determines the present value of its defined benefit obligations and the related current service cost and past service cost using the projected unit credit method. The discount rate applied is determined by reference to market yields on high-quality corporate bonds at the year-end. The net defined benefit liability (asset) is determined by deducting the fair value of any plan assets from the present value of the defined benefit obligations. Remeasurements of the net defined benefit asset or liability are recognized collectively in other comprehensive income and reclassified to retained earnings for the period during which they have occurred.

Retirement benefit costs for defined contribution-type plans are expensed for the period during which employees render services.

2) Termination benefits

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

3) Short-term employee benefits

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

(15) Provisions

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

Explanation of the major provisions is as follows:

・Allowance for loss on plants reorganization

In connection with plants reorganization aimed at the efficiency of manufacturing sites in Japan and overseas, as plans including the removal of property, plant and equipment at some of the sites are determined and announced, a reasonable estimated amount of the removal costs is recorded as a provision.

The timing of the payment is subject to circumstances such as future business plans.

(16) Share-based payments

1) Restricted Stock Compensation System

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

2) Share options

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

(17) Revenue from contracts with customers

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

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

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(18) Finance income and finance costs

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

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

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

(19) Government grants

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

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

(20) Borrowing costs

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

(21) Earnings per share

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

(SEGMENT INFORMATION)

(1) Summary of reportable segments

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

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

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

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

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

The accounting method for the operating segments that are reported is generally the same as described in “Significant accounting policies.”

Inter-segment revenue or transfers are based on actual market prices.

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

(2) Information on reportable segments

Information related to each reportable segment is set out below.

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

(¥ millions)

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

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

As at and for the year ended December 31, 2016

(¥ millions)

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

(¥ millions)

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

Notes: 1. Others includes food businesses, such as dairy products and others.

2. Adjustments are as follows:

(1) Adjustment in segment income mainly includes inter-segment eliminations and corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses incurred in the Company, a holding company.

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

3. Segment income represents normalized operating profit which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue.

As at and for the year ended December 31, 201

(¥ millions)

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

(¥ millions)

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

Notes: 1. Others includes food businesses, such as dairy products and others.

2. Adjustments are as follows:

(1) Adjustment in segment income mainly includes inter-segment eliminations and corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses incurred in the Company, a holding company.

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

3. Segment income represents normalized operating profit which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue.

(3) Geographic information

1) Revenue

(¥ millions)

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

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

2) Non-current assets

(¥ millions)

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

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

(4) Major customer

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

(¥ millions)

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

(PER SHARE INFORMATION)

(1) Basis of calculation of basic earnings per share

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

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

(¥ millions)

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

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

(Thousands of shares)

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

(2) Basis of calculation of diluted earnings per share

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

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

(¥ millions)

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

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

(Thousands of shares)

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

(SUBSEQUENT EVENTS)

(Transfer of shares of KIRIN-AMGEN, INC.)

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

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

2. Name of the company to which the shares are transferred
   KIRIN-AMGEN, INC.

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

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

4. Timing of transfer
   The first quarter of 2018

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

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

(Own-Share Repurchase)

At the Board Meeting held on February 14, 2018, the Company implemented an own-share repurchase in accordance with the provisions of Article 156 applied with certain replacement of terms pursuant to Article 165, Paragraph 3 of the Companies Act.

1. Reason for the own-share repurchase

Further enhancement of shareholders' returns

2. Details of the own-share repurchase

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

(FIRST-TIME ADOPTION)

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

IFRS 1 exemptions

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

・Business Combinations

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

・Deemed cost

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

・Foreign currency translation differences on foreign operations

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

Mandatory exceptions to the retrospective application under IFRS 1

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

Reconciliations

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

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

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

(¥ millions)

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

(¥ millions)

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

Reconciliation of equity at December 31, 2016

(¥ millions)

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

(¥ millions)

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

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

(a) Adjustments due to unification of reporting periods

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

(b) Adjustments to property, plant and equipment

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

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

(c) Adjustments to goodwill

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

(d) Adjustments to intangible assets

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

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

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

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

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

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

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

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

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

(f) Transfers and adjustments to equity-accounted investees

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

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

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

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

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

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

(h) Transfers of deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities recorded in current items have been transferred to non-current items, as IFRS requires all deferred tax assets and liabilities to be classified into non-current items without presenting current and non-current items separately.

(i) Transfers of allowance for doubtful accounts

Allowance for doubtful accounts (non-current) presented separately under Japanese GAAP has been transferred to be presented on a net basis by being directly deducted from other financial assets (non-current) under IFRS. Allowance for doubtful accounts (current) has been transferred to be presented on a net basis by being directly deducted from trade and other receivables as well.

(j) Transfers to inventories

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

(k) Transfers to trade and other receivables

Accrued accounts receivable included in other of current assets under Japanese GAAP have been included in trade and other receivables under IFRS.

(l) Reconciliation of retained earnings

(¥ millions)

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

(m) Adjustments to reserves

Based on IFRS 1 exemptions, the Group opted to deem all exchange differences on translation of foreign operations as zero at the date of transition.

Under Japanese GAAP, actuarial gains and losses and prior service costs were expensed on a straight-line basis over a certain number of years within the average remaining service period of employees when incurred. Under IFRS, remeasurements of defined benefit plans including actuarial gains and losses are recognized in other comprehensive income when incurred, and then immediately reclassified to retained earnings. All past service costs are expensed when incurred.

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

(n) Transfers of provisions

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

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

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

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

(p) Transfers to trade and other payables

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

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

(¥ millions)

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

(¥ millions)

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

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

(a) Adjustments due to unification of reporting periods

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

(b) Reclassifications

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

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

(c) Adjustments to revenue

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

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

(d) Adjustments to cost of sales

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

(e) Adjustments to selling, general and administrative expenses

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

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

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

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

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

(f) Adjustments to finance income and finance costs

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

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

Under Japanese GAAP, amortization of goodwill and brands of equity-accounted investees that were recognized in share of profit of equity-accounted investees were amortized over the estimated useful economic life. Under IFRS, amortization of brands has been ceased except for those for which amortization periods can be estimated.

(h) Adjustments to remeasurements of defined benefit plans

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

(i) Adjustments to revaluation of land

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

(j) Adjustments to cash flow hedges

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

(k) Adjustments to foreign currency translation differences on foreign operations

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

Adjustments to cash flows for the year ended December 31, 2016

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

Supplementary Documents to the Consolidated Financial Statements for the Year Ended December 31, 2017

1. IFRS Adoption Effects
2. Summary of Consolidated Statement of Financial Position
3. Summary of Consolidated Statement of Profit or Loss, Indices, etc.
4. Revenue Details
5. Profit Details
6. Summary of Consolidated Statement of Cash Flows

KIRIN HOLDINGS COMPANY, LIMITED
February 14, 2018

1. IFRS Adoption Effects

(¥ billions)

	Year ended December 31, 2017, IFRS	Year ended December 31, 2017, Japanese GAAP	IFRS adoption effects	Major effects
Revenue *	1,863.7	1,970.8	(107.1)	Deduction of sales promotion expenses linked to sales, etc. from revenue Transfer to discontinued operations Unification of reporting periods

* "Revenue" is equivalent of "Sales" under Japanese GAAP.

(¥ billions)

	Year ended December 31, 2017, IFRS	Year ended December 31, 2017, Japanese GAAP	IFRS adoption effects
Normalized operating profit *1	194.3	155.0	39.4
Japan Integrated Beverages	72.5	71.1	1.4
Kirin Brewery	71.6	70.5	1.1
Kirin Beverage	21.7	21.4	0.3
Mercian	3.9	3.8	0.1
Others	(24.7)	(24.6)	(0.1)
Overseas Integrated Beverages	66.0	46.3	19.7
Lion	52.6	52.4	0.2
Beer, Spirits, and Wine	54.5	55.1	(0.6)
Dairy and Drinks	5.4	4.4	1.0
Corporate	(7.3)	(7.0)	(0.3)
Amortization of goodwill	-	(11.1)	11.1
Brand amortization	-	(3.3)	3.3
Total	52.6	38.0	14.6
Brasil Kirin *2	-	(0.8)	0.8
Amortization of goodwill	-	-	-
Brand amortization	-	(0.2)	0.2
Total	-	(1.0)	1.0
Myanmar Brewery	9.9	9.5	0.4
Amortization of goodwill	-	(1.6)	1.6
Brand amortization	-	(1.5)	1.5
Total	9.9	6.4	3.5
Others	3.6	2.9	0.6
Pharmaceuticals and Bio-chemicals	62.2	43.7	18.5
Kyowa Hakko Kirin	62.2	43.7	18.5
Pharmaceuticals	55.0	33.8	21.2
Bio-chemicals	7.2	6.8	0.4
Other/elimination of amortization of goodwill	0.0	9.3	(9.3)
Amortization of goodwill	-	(6.1)	6.1
Other	0.9	1.0	(0.1)
Corporate expenses/inter-segment eliminations	(7.3)	(7.2)	(0.1)

*1 "Normalized operating profit", which is equivalent of "Operating income" under Japanese GAAP, is a profit indicator for measuring recurring performance which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

*2 Classified into discontinued operations under IFRS.

(¥ billions)

	Year ended December 31, 2017, IFRS	Year ended December 31, 2017, Japanese GAAP	IFRS adoption effects
Profit attributable to owners of the parent	242.1	128.6	113.4

Breakdown of IFRS adoption effects on profit attributable to owners of the parent

	IFRS adoption effects
Total IFRS adoption effects	113.4
Profit affected by effects on normalized operating profit	29.6
Total amortization of goodwill, etc. (equity-accounted investees)	10.2
Effects of foreign currency translation adjustments (Brasil Kirin)	75.8
Other	(2.2)

	Year ended December 31, 2017, IFRS	Year ended December 31, 2017, Japanese GAAP
ROE *	29.1%	19.8%
Normalized EPS (¥)	151	141

* Prior to amortization of goodwill etc. under Japanese GAAP

2. Summary of Consolidated Statement of Financial Position

(¥ billions)

	As of December 31, 2017, Actual	As of December 31, 2016, Actual	Increase (decrease)	Description of changes
Non-current assets	1,534.1	1,654.3	(120.3)	
Property, plant and equipment	556.2	638.2	(82.0)	Decrease due to sale of consolidated subsidiaries, etc.
Goodwill	261.9	257.0	4.9	
Intangible assets	184.1	203.9	(19.8)	
Gain on sale of equity-accounted investees	210.8	254.2	(43.4)	Decrease due to transfer to non-current assets held for sale, etc.
Other	321.1	301.0	20.1	
Current assets	865.0	768.5	96.5	
Inventories	194.8	205.2	(10.4)	
Trade and other receivables	395.3	434.2	(39.0)	Decrease due to sale of consolidated subsidiaries, etc.
Cash and cash equivalents	160.9	66.5	94.4	
Other	114.0	62.6	51.4	Increase due to transfer to non-current assets held for sale, etc.
Total assets	2,399.1	2,422.8	(23.7)	
Equity	1,229.2	959.2	270.0	
Equity attributable to owners of the parent	957.9	706.1	251.8	Increase due to sale of consolidated subsidiaries, etc.
Non-controlling interests	271.3	253.1	18.2	.
Non-current liabilities	556.4	778.2	(221.7)	
Bonds and borrowings	362.6	511.5	(148.9)	Decrease due to replacement of long-term's with short-term's, etc.
Other	193.8	266.6	(72.8)	Decrease due to sale of consolidated subsidiaries, etc.
Current liabilities	613.4	685.5	(72.0)	
Bonds and borrowings	123.9	156.7	(32.8)	Increase due to replacement of long-term's with short-term's, and decrease due to repayment and redemption, etc.
Trade and other payables	224.9	246.5	(21.6)	
Other	264.7	282.3	(17.6)	
Total liabilities	1,169.9	1,463.6	(293.8)	
Total equity and liabilities	2,399.1	2,422.8	(23.7)	

3. Summary of Consolidated Statement of Profit or Loss, Indices, etc.

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

(¥ billions)

	Year ended December 31, 2017, Actual	Year ended December 31, 2016, Actual	Increase (decrease)	
Revenue	1,863.7	1,853.9	9.8	0.5%
Gross profit	812.5	787.3	25.2	3.2%
Selling, general and administrative expenses	618.2	605.3	12.9	2.1%
Normalized operating profit	194.3	182.0	12.3	6.8%
Other operating income	46.9	40.4	6.5	16.0%
Other operating expenses	30.1	25.8	4.3	16.8%
Operating profit	211.1	196.6	14.5	7.4%
Finance income	4.8	4.0	0.9	21.8%
Finance costs	11.1	9.3	1.8	18.8%
Share of profit of equity-accounted investees	26.5	16.9	9.6	56.7%
Gain on sale of equity-accounted investees	2.4	-	2.4	-
Profit before tax	233.8	208.2	25.6	12.3%
Income tax expense	51.9	50.1	1.9	3.8%
Profit from continuing operations	181.8	158.1	23.7	15.0%
Profit from discontinued operations	85.0	8.2	76.8	937.6%
Profit	266.8	166.3	100.5	60.4%
Owners of the parent	242.1	148.9	93.1	62.5%
Non-controlling interests	24.8	17.4	7.4	42.5%
ROE	29.1%	22.0%		
Normalized EPS	¥151	¥139	¥12	8.6%
Revenue (excluding liquor tax)	1,574.3	1,557.9	16.4	1.1%
Normalized operating profit ratio (excluding liquor tax)	12.3%	11.7%		
Normalized EBITDA	272.3	257.6	14.7	5.7%
Net interest-bearing liabilities / Normalized EBITDA	1.19	2.21		

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

Adjusted profit = Profit ± 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

(¥)

	Year ended December 31, 2017, Actual	Year ended December 31, 2016, Actual
Lion (AUD)	86.33	81.17
Brasil Kirin (BRL)	35.43	31.83
Myanmar Brewery (MMK (‘000))	82.33	88.25

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

	Year ended December 31, 2017, Actual	Year ended December 31, 2016, Actual
San Miguel Brewery	From October 2016 to September 2017	From October 2015 to September 2016

4. Revenue Details

(1) Revenue Details

(¥ billions)

	Year ended December 31, 2017, Actual	Year ended December 31, 2016, Actual	Increase (decrease)	
Revenue	1,863.7	1,853.9	9.8	0.5%
Japan Integrated Beverages	1,051.0	1,061.6	(10.6)	(1.0%)
Kirin Brewery	647.0	655.5	(8.4)	(1.3%)
Kirin Beverage	285.7	292.5	(6.8)	(2.3%)
Mercian	65.3	66.4	(1.1)	(1.7%)
Other and elimination	53.0	47.2	5.7	12.1%
Overseas Integrated Beverages	448.6	428.5	20.1	4.7%
Lion	348.7	357.6	(8.9)	(2.5%)
Beer, Spirits, and Wine	195.3	210.4	(15.1)	(7.2%)
Dairy and Drinks	153.4	147.2	6.1	4.2%
Myanmar Brewery	25.6	22.6	3.0	13.1%
Other and elimination	74.3	48.2	26.1	54.1%
Pharmaceuticals and Bio-chemicals	346.7	341.4	5.3	1.5%
Kyowa Hakko Kirin	354.2	348.7	5.5	1.6%
Pharmaceuticals	274.8	269.3	5.5	2.0%
Bio-chemicals	79.4	79.4	(0.1)	(0.1%)
Other and elimination	(7.5)	(7.3)	(0.2)	-
Other	17.5	22.4	(4.9)	(22.1%)

(Reference) Revenue excluding liquor tax

(¥ billions)

	Year ended December 31, 2017, Actual	Year ended December 31, 2016, Actual
Kirin Brewery	372.1	373.1

(2) Sales Volume Details of Major Business Companies
a. Kirin Brewery

	Year ended December 31, 2017		Year ended December 31, 2016	
	Actual	Increase (decrease)	Actual	Increase (decrease)
Sales volume	Thousand KL		Thousand KL	
Beer	627	(3.3%)	649	(1.8%)
Happo-shu	455	(3.3%)	471	(6.2%)
New genre	543	(6.0%)	578	(8.7%)
Sub-total	1,626	(4.2%)	1,698	(5.5%)
RTD	318	8.4%	293	3.7%
Non-alcohol beverages	42	58.7%	26	(9.0%)

The above sales volume excludes contract manufacturing and exports.

b. Kirin Beverage Group

	Year ended December 31, 2017		Year ended December 31, 2016	
	Actual	Increase (decrease)	Actual	Increase (decrease)
Category	10,000 cases		10,000 cases	
Black tea	5,293	0.5%	5,265	9.5%
Japanese tea	3,086	7.2%	2,877	40.2%
Coffee	3,080	(4.8%)	3,235	3.4%
Fruit and vegetable juice	2,471	(9.5%)	2,732	3.5%
Carbonated beverage	2,110	(8.8%)	2,313	(4.4%)
Functional beverage	1,004	11.3%	903	18.5%
Water	4,041	(3.1%)	4,169	6.8%
Other	1,741	(5.3%)	* 1,838	0.9%
Total	22,826	(2.2%)	23,332	8.3%
Container Type				
Can	3,939	(5.5%)	4,170	6.4%
Large-sized PET bottles (2L, 1.5L, etc.)	7,589	(0.4%)	7,617	9.3%
Small-sized PET bottles (500ml, 280ml, etc.)	9,199	(1.3%)	9,320	8.7%
Other	2,099	(5.6%)	* 2,225	7.3%
Total	22,826	(2.2%)	23,332	8.3%

* The above sales volume excludes contract manufacturing of subsidiaries excluded from the consolidation scope in 2017.

5. Profit Details

(1) Normalized Operating Profit Details

(¥ billions)

	Year ended December 31, 2017, Actual	Year ended December 31, 2016, Actual	Increase (decrease)
Normalized operating profit	194.3	182.0	12.3
Japan Integrated Beverages	72.5	67.8	4.7
Kirin Brewery	71.6	70.8	0.8
Kirin Beverage	21.7	17.3	4.4
Mercian	3.9	3.6	0.3
Others *	(24.7)	(24.0)	(0.8)
Overseas Integrated Beverages	66.0	66.4	(0.3)
Lion	52.6	52.8	(0.2)
Beer, Spirits, and Wine	54.5	55.4	(0.9)
Dairy and Drinks	5.4	5.0	0.5
Corporate	(7.3)	(7.6)	0.3
Myanmar Brewery	9.9	8.9	0.9
Others	3.6	4.7	(1.1)
Pharmaceuticals and Bio-chemicals	62.2	51.5	10.7
Kyowa Hakko Kirin	62.2	51.5	10.7
Pharmaceuticals	55.0	45.9	9.1
Bio-chemicals	7.2	5.6	1.6
Others	0.0	0.0	(0.0)
Other	0.9	3.2	(2.3)
Corporate expenses/inter-segment eliminations	(7.3)	(6.9)	(0.4)

* 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.	0.6	Total beer products (7.7) Sales decrease in beer (22) thousand KL Sales decrease in *happo-shu* (15) thousand KL Sales decrease in new genre (35) thousand KL Total other than beer products 5.0 Sales increase in RTD 25 thousand KL Sales increase in non-alcohol beverages 15 thousand KL Difference of change in composite of products, etc. 3.3
	Decrease in raw material cost of alcohol beverages	2.6	
	Increase in selling expenses	(0.8)	Decrease in sales promotion 2.4, increase in advertising (2.0) (Total 67.2→66.9), etc.
	Increase in other expenses	(1.6)	Increase in depreciation, etc.
Total		0.8	
Kirin Beverage	Increase in marginal profit of soft drink beverages	0.6	Decrease in sales volume (5.06) million cases, (2.4) Difference of change in products mix and in composition ratio of containers, etc. 3.0
	Decrease in raw material cost, etc.	2.8	Increase in raw material cost (0.3), decrease in material cost 1.8, decrease in processing cost 1.3
	Increase in selling expenses	(0.0)	Decrease in sales promotion 1.8, increase in advertising (1.8) (total 40.2→40.2)
	Decrease in other expenses	1.0	Decrease in labor cost, etc.
Total		4.4	

(3) Other Operating Income and Other Operating Expenses

(¥ billions)

	Year ended December 31, 2017, Actual	Year ended December 31, 2016, Actual	Increase (decrease)
Other operating income	46.9	40.4	6.5
Gain on sale of property, plant and equipment and intangible assets	34.3	8.0	26.4
Gain on termination of license agreements	-	24.4	(24.4)
Past service costs for post-employment benefits	-	3.1	(3.1)
Gain on transfer of business	4.8	-	4.8
Gain on sale of shares of subsidiaries	2.4	-	2.4
Other	5.3	5.0	0.3
Other operating expenses	30.1	25.8	4.3
Impairment losses	8.0	4.2	3.8
Business restructuring expenses	6.7	8.5	(1.8)
Software development expenses	5.3	1.9	3.4
Loss on disposal and sale of property, plant and equipment and intangible assets	1.6	2.5	(0.8)
Other	8.4	8.6	(0.2)

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

(¥ billions)

	Year ended December 31, 2017, Actual	Year ended December 31, 2016, Actual	Increase (decrease)
Finance income	4.8	4.0	0.9
Interest income	1.8	1.1	0.7
Dividend income	2.8	2.7	0.2
Other	0.2	0.2	(0.0)
Finance costs	11.1	9.3	1.8
Interest paid	6.5	7.1	(0.6)
Foreign exchange losses (net)	3.8	1.5	2.4
Other	0.8	0.7	0.0
Share of profit of equity-accounted investees	26.5	16.9	9.6
San Miguel Brewery	21.0	18.7	2.4
Others	5.5	(1.7)	7.2
Gain on sale of equity-accounted investees	2.4	-	2.4

6. Summary of Consolidated Statement of Cash Flows

(1) Summary of Statement of Cash Flows

(¥ billions)

	Year ended December 31, 2017, Actual	Year ended December 31, 2016, Actual	Increase (decrease)
Cash flows from operating activities	221.7	232.3	(10.6)
Profit before tax	233.8	208.2	25.6
Depreciation and amortization	69.2	71.6	(2.4)
Other	(81.3)	(47.5)	(33.8)
Cash flows from investing activities	63.2	(82.7)	145.9
Acquisition of property, plant and equipment and intangible assets	(88.8)	(99.4)	10.6
Other	152.0	16.7	135.3
Cash flows from financing activities	(182.2)	(157.3)	(24.9)
Increase (decrease) in interest-bearing liabilities	(147.3)	(111.0)	(36.3)
Dividends paid	(45.9)	(43.2)	(2.6)
Other	11.0	(3.0)	14.0
Exchange rate changes, etc.	(7.3)	(5.6)	(1.7)
Net increase (decrease) in cash and cash equivalents	95.5	(13.2)	108.7

(2) Information by Segment

As of December 31, 2017, Actual

(¥ billions)

	Japan Integrated Beverages	Overseas Integrated Beverages	Pharmaceuticals and Bio-chemicals	Other	Adjustment	Total
Depreciation and amortization	25.2	18.3	22.0	0.6	(0.0)	66.1
Acquisition of property, plant and equipment and intangible assets	31.4	31.7	22.3	1.5	(1.1)	85.9
Normalized EBITDA	97.8	96.2	84.2	1.4	(7.4)	272.3

As of December 31, 2016, Actual

(¥ billions)

	Japan Integrated Beverages	Overseas Integrated Beverages	Pharmaceuticals and Bio-chemicals	Other	Adjustment	Total
Depreciation and amortization	23.6	15.8	23.8	1.1	0.0	64.2
Acquisition of property, plant and equipment and intangible assets	29.7	26.8	30.1	4.2	(0.9)	89.9
Normalized EBITDA	91.4	93.6	75.3	4.2	(6.9)	257.6

As information by segment does not include discontinued operations, each total amount in the table does not match the corresponding amount in (1) Summary of Statement of Cash Flows.

Supplementary Documents to the Forecast Consolidated Business Results for the Year Ending December 31, 2018

KIRIN HOLDINGS COMPANY, LIMITED

February 14, 2018

1. Summary of Consolidated Statement of Profit or Loss, Indices, etc.

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

(¥ billions)

	Year ending December 31, 2018, Forecast	Year ended December 31, 2017, Actual	Increase (decrease)	
Revenue	1,960.0	1,863.7	96.3	5.2%
Normalized operating profit	196.0	194.3	1.7	0.9%
Other operating income	16.0	46.9	(30.9)	(65.9%)
Other operating expenses	18.0	30.1	(12.1)	(40.2%)
Operating profit	194.0	211.1	(17.1)	(8.1%)
Finance income	4.0	4.8	(0.8)	(17.2%)
Finance costs	6.0	11.1	(5.1)	(45.9%)
Share of profit of equity-accounted investees	23.3	26.5	(3.2)	(12.1%)
Gain on sale of equity-accounted investees	19.7	2.4	17.3	704.9%
Profit before tax	235.0	233.8	1.2	0.5%
Income tax expense	55.0	51.9	3.1	5.9%
Profit from continuing operations	180.0	181.8	(1.8)	(1.0%)
Profit from discontinued operations	-	85.0	(85.0)	-
Profit	180.0	266.8	(86.8)	(32.5%)
Owners of the parent	155.0	242.1	(87.1)	(36.0%)
Non-controlling interests	25.0	24.8	0.2	1.0%
ROE	16.0%	29.1%		
Normalized EPS	¥157	¥151	¥6	4.0%
Revenue (excluding liquor tax)	1,668.0	1,574.3	93.7	6.0%
Normalized operating profit ratio (excluding liquor tax)	11.8%	12.3%		
Normalized EBITDA	280.0	272.3	7.7	2.8%
Net interest-bearing liabilities / Normalized EBITDA	0.85	1.19		

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

Adjusted profit = Profit ± 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

(¥)

	Year ending December 31, 2018, Forecast	Year ended December 31, 2017, Actual
Lion (AUD)	88.00	86.33
Myanmar Brewery (MMK ('000))	83.00	82.33

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

	Year ending December 31, 2018, Forecast	Year ended December 31, 2017, Actual
San Miguel Brewery	From October 2017 to September 2018	From October 2016 to September 2017

2. Revenue Details

(1) Revenue Details

(¥ billions)

	Year ending December 31, 2018, Forecast	Year ended December 31, 2017, Actual	Increase (decrease)	
Revenue	1,960.0	1,863.7	96.3	5.2%
Japan Integrated Beverages	1,080.0	1,051.0	29.0	2.8%
Kirin Brewery	662.3	647.0	15.2	2.4%
Kirin Beverage	295.5	285.7	9.8	3.4%
Mercian	64.8	65.3	(0.5)	(0.7%)
Other and elimination	57.5	53.0	4.5	8.5%
Overseas Integrated Beverages	536.0	448.6	87.4	19.5%
Lion	370.0	348.7	21.3	6.1%
Beer, Spirits, and Wine	206.3	195.3	11.0	5.6%
Dairy and Drinks	163.7	153.4	10.3	6.7%
Myanmar Brewery	28.5	25.6	2.9	11.3%
Other and elimination	137.5	74.3	63.2	85.0%
Pharmaceuticals and Bio-chemicals	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%)
Other and elimination	(8.0)	(7.5)	(0.5)	-
Other	17.0	17.5	(0.5)	(2.6%)

(Reference) Revenue excluding liquor tax

(¥ billions)

	Year ending December 31, 2018, Forecast	Year ended December 31, 2017, Actual
Kirin Brewery	384.6	372.1

(2) Sales Details of Major Business Companies

a. Kirin Brewery

	Year ending December 31, 2018		Year ended December 31, 2017	
	Forecast	Increase (decrease)	Actual	Increase (decrease)
Sales volume	Thousand KL		Thousand KL	
Beer	610	(2.8%)	627	(3.3%)
Happo-shu	448	(1.7%)	455	(3.3%)
New genre	573	5.3%	543	(6.0%)
Sub-total	1,630	0.2%	1,626	(4.2%)
RTD	360	13.3%	318	8.4%
Non-alcohol beverages	50	20.1%	42	58.7%

The above sales volume excludes contract manufacturing and exports.

b. Kirin Beverage Group

	Year ending December 31, 2018		Year ended December 31, 2017	
	Forecast	Increase (decrease)	Actual	Increase (decrease)
Category	10,000 cases		10,000 cases	
Black tea	5,380	1.6%	5,293	0.5%
Japanese tea	3,370	9.2%	3,086	7.2%
Coffee	3,237	5.1%	3,080	(4.8%)
Fruit and vegetable juice	2,597	5.1%	2,471	9.5%
Carbonated beverage	2,118	0.4%	2,110	(8.8%)
Functional beverage	1,225	22.0%	1,004	11.3%
Water	4,134	2.3%	4,041	(3.1%)
Other	1,539	(11.6%)	1,741	(5.3%)
Total	23,600	3.4%	22,826	(2.2%)
Container Type				
Can	4,138	5.0%	3,939	(5.5%)
Large-sized PET bottles (2L, 1.5L, etc.)	7,640	0.7%	7,589	(0.4%)
Small-sized PET bottles (500ml, 280ml, etc.)	9,537	3.7%	9,199	(1.3%)
Other	2,285	8.9%	2,099	(5.6%)
Total	23,600	3.4%	22,826	(2.2%)

3. Profit Details

(1) Normalized Operating Profit Details

(¥ billions)

	Year ending December 31, 2018, Forecast	Year ended December 31, 2017, Actual	Increase (decrease)
Normalized operating profit	196.0	194.3	1.7
Japan Integrated Beverages	76.0	72.5	3.5
Kirin Brewery	77.5	71.6	5.9
Kirin Beverage	22.6	21.7	0.9
Mercian	2.3	3.9	(1.6)
Others *	(26.4)	(24.7)	(1.7)
Overseas Integrated Beverages	70.5	66.0	4.5
Lion	55.9	52.6	3.3
Beer, Spirits, and Wine	57.3	54.5	2.8
Dairy and Drinks	7.9	5.4	2.5
Corporate	(9.3)	(7.3)	(2.0)
Myanmar Brewery	10.7	9.9	0.8
Others	3.9	3.6	0.3
Pharmaceuticals and Bio-chemicals	55.0	62.2	(7.2)
Kyowa Hakko Kirin	55.0	62.2	(7.2)
Pharmaceuticals	47.0	55.0	(8.0)
Bio-chemicals	8.0	7.2	0.8
Others	-	0.0	(0.0)
Other	0.5	0.9	(0.4)
Corporate expenses/inter-segment eliminations	(6.0)	(7.3)	1.3

* 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.	7.2	Total beer products 0.2 Sales decrease in beer (17) thousand KL Sales decrease in *happo-shu* (8) thousand KL Sales increase in new genre 29 thousand KL Total other than beer products 4.4 Sales increase in RTD 42 thousand KL Sales increase in non-alcohol beverages 8 thousand KL Difference of change in composite of products, etc. 2.6
	Increase in raw material cost of alcohol beverages	(1.5)	
	Decrease in selling expenses	3.1	Decrease in sales promotion and advertising (Total 66.9→63.8), etc.
	Increase in other expenses	(2.8)	Increase in supplies expenses, increase in electric cost and fuel cost, etc.
Total		5.9	
Kirin Beverage	Increase in marginal profit of soft drink beverages	4.8	Increase in sales volume 7.74 million cases, 3.8 Difference of change in products mix and in composition ratio of containers, etc. 1.0
	Increase in raw material cost, etc.	(2.2)	Increase in raw material cost (0.4), increase in material cost (1.5), increase in processing cost (0.3)
	Increase in selling expenses	(0.1)	Increase in sales promotion and advertising (Total 40.2→40.3)
	Increase in other expenses	(1.6)	Increase in depreciation of sales equipment, etc.
Total		0.9	

4. Information by Segment

Year ending December 31, 2018, Forecast

(¥ billions)

	Japan Integrated Beverages	Overseas Integrated Beverages	Pharmaceuticals and Bio-chemicals	Other	Adjustment	Total
Depreciation and amortization	25.3	22.5	24.3	0.3	0.1	72.5
Acquisition of property, plant and equipment and intangible assets	39.0	35.0	23.0	1.0	-	98.0
Normalized EBITDA	101.3	104.5	79.3	0.8	(5.9)	280.0

Year ended December 31, 2017, Actual

(¥ billions)

	Japan Integrated Beverages	Overseas Integrated Beverages	Pharmaceuticals and Bio-chemicals	Other	Adjustment	Total
Depreciation and amortization	25.2	18.3	22.0	0.6	(0.0)	66.1
Acquisition of property, plant and equipment and intangible assets	31.4	31.7	22.3	1.5	(1.1)	85.9
Normalized EBITDA	97.8	96.2	84.2	1.4	(7.4)	272.3