KIRIN HOLDINGS COMPANY, LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2009
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Consolidated Balance Sheets

Kirin Holdings Company, Limited and Consolidated Subsidiaries

December 31, 2009 and 2008

ASSETS	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Current Assets			
Cash (Notes 3 and 24)	**¥125,558**	¥72,662	**$1,363,279**
Notes and accounts receivable, trade (Note 3)	**423,835**	446,630	**4,601,900**
Marketable securities (Note 18)	**-**	762	**-**
Merchandise and finished goods	**138,937**	152,289	**1,508,545**
Work in process	**18,319**	24,141	**198,903**
Raw materials and supplies	**41,261**	42,889	**448,002**
Deferred tax assets (Note 25)	**24,146**	22,991	**262,171**
Other	**69,668**	65,735	**756,438**
Allowance for doubtful accounts	**(2,278)**	(1,879)	**(24,733)**
Total Current Assets	**839,450**	826,222	**9,114,549**
Fixed Assets			
Property, plant and equipment (Notes 3 and 4)			
(Net of accumulated depreciation and accumulated loss from impairment)			
Buildings and structures	**227,563**	229,619	**2,470,825**
Machinery, equipment and vehicles	**203,502**	217,872	**2,209,576**
Land (Note 29)	**227,671**	244,240	**2,471,997**
Construction in progress	**75,235**	57,244	**816,883**
Other	**40,300**	42,335	**437,567**
Total	**774,274**	791,311	**8,406,883**
Intangible Assets			
Goodwill	**605,210**	343,975	**6,571,226**
Other	**129,477**	105,493	**1,405,830**
Total	**734,688**	449,469	**7,977,068**
Investments and Other Assets (Note 3)			
Investment securities (Notes 18 and 21)	**388,677**	425,384	**4,220,162**
Long-term loans receivable	**9,555**	9,343	**103,745**
Deferred tax assets (Note 25)	**59,096**	34,700	**641,650**
Other (Note 21)	**59,858**	87,139	**649,923**
Allowance for doubtful accounts	**(4,407)**	(3,947)	**(47,850)**
Total	**512,781**	552,619	**5,567,654**
Total Fixed Assets	**2,021,743**	1,793,400	**21,951,606**
Total Assets	**¥2,861,194**	¥2,619,623	**$31,066,167**

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 1) 2009
Current Liabilities			
Notes and accounts payable, trade	**¥169,936**	¥189,589	**$1,845,124**
Short-term loans payable and long-term debt with current maturities (Note 3)	**259,425**	119,197	**2,816,775**
Bonds due within one year	**12,521**	44,112	**135,950**
Liquor taxes payable	**99,489**	104,245	**1,080,228**
Income taxes payable	**22,806**	28,495	**247,622**
Allowance for employees' bonuses	**5,713**	5,647	**62,030**
Allowance for bonuses for directors and corporate auditors	**276**	257	**2,996**
Reserve for loss on liquidation of business (Note 2)	**2,628**	-	**28,534**
Reserve for repair and maintenance (Note 2)	**1,051**	-	**11,411**
Accrued expenses	**105,520**	116,569	**1,145,711**
Deposits received	**23,732**	26,773	**257,676**
Other	**90,992**	84,725	**987,969**
Total Current Liabilities	**794,096**	719,613	**8,622,106**
Long-term Liabilities			
Bonds (Note 3)	**324,904**	242,850	**3,527,730**
Long-term debt (Note 3)	**300,590**	257,731	**3,263,735**
Deferred tax liabilities (Note 25)	**32,083**	55,780	**348,349**
Deferred tax liability due to land revaluation (Notes 25 and 29)	**1,471**	1,471	**15,971**
Employees' pension and retirement benefits (Note 27)	**85,279**	82,704	**925,939**
Retirement benefits for directors and corporate auditors	**415**	673	**4,505**
Reserve for repair and maintenance of vending machines	**4,545**	4,756	**49,348**
Reserve for loss on repurchase of land	**1,170**	1,068	**12,703**
Deposits received (Note 3)	**73,303**	67,093	**795,906**
Other	**44,464**	35,882	**482,779**
Total Long-term Liabilities	**868,228**	750,012	**9,427,014**
Total Liabilities	**1,662,324**	1,469,625	**18,049,120**
NET ASSETS			
Shareholders' Equity (Note 22)			
Common stock			
Authorized - 1,732,026,000 shares			
Issued - 984,508,387 shares	**¥102,045**	¥102,045	**$1,107,980**
Capital surplus	**71,582**	71,536	**777,220**
Retained earnings	**860,538**	839,248	**9,343,517**
Treasury stock, at cost			
31,167,235 shares in 2009 and 30,157,914 shares in 2008	**(30,486)**	(29,058)	**(331,009)**
Total Shareholders' Equity	**1,003,680**	983,772	**10,897,719**
Valuation and Translation Adjustments			
Net unrealized holding gains on securities	**18,279**	37,430	**198,469**
Deferred gains or losses on hedges	**(1,548)**	79	**(16,807)**
Land revaluation difference (Note 29)	**(4,713)**	(4,713)	**(51,172)**
Foreign currency translation adjustments	**(34,375)**	(88,756)	**(373,235)**
Total Valuation and Translation Adjustments	**(22,357)**	(55,959)	**(242,747)**
Subscription Rights to Shares	**196**	162	**2,128**
Minority Interests	**217,350**	222,023	**2,359,934**
Total Net Assets	**1,198,869**	1,149,998	**13,017,035**
Total Liabilities and Net Assets	**¥2,861,194**	¥2,619,623	**$31,066,167**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Sales	**¥2,278,473**	¥2,303,569	¥1,801,164	**$24,739,120**
Less liquor taxes	**359,743**	380,691	400,555	**3,906,004**
Net sales	**1,918,730**	1,922,877	1,400,608	**20,833,116**
Cost of sales	**1,024,078**	1,012,204	678,058	**11,119,196**
Gross profit	**894,652**	910,673	722,550	**9,713,919**
Selling, general and administrative expenses (Note 6)	**766,216**	764,696	601,942	**8,319,391**
Operating income	**128,435**	145,977	120,608	**1,394,516**
Non-operating income				
Interest income	**2,573**	2,399	1,971	**27,937**
Dividend income	**5,573**	6,566	5,292	**60,510**
Equity in earnings of affiliates	**8,902**	11,833	10,282	**96,655**
Foreign currency translation gain (Note 8)	**18,909**	-	-	**205,309**
Other	**6,656**	7,027	5,548	**72,269**
Total	**42,615**	27,827	23,094	**462,703**
Non-operating expenses				
Interest expense	**19,617**	25,385	12,618	**212,996**
Loss on sale and disposal of finished goods	-	1,073	1,944	
Foreign currency translation loss (Note 8)	-	37,287	-	
Other	**6,818**	6,994	5,749	**74,028**
Total	**26,435**	70,739	20,312	**287,024**
Ordinary income	**144,614**	103,065	123,389	**1,570,184**
Special income				
Gain on sale of fixed assets	**8,054**	11,016	19,728	**87,448**
Reversal of allowance for doubtful accounts	-	222	687	-
Gain on sale of investment securities (Note 18)	**34,631**	2,313	653	**376,015**
Gain on change in equity (Note 9)	-	72,654	-	-
Reversal of reserve for repair and maintenance of vending machines	-	787	-	-
Compensation for expropriation (Note 10)	-	9,591	-	-
Gain on sale of shares of subsidiaries and affiliates	**1,005**	-	184	**10,912**
Reversal of reserve for losses on guarantees	-	-	62	-
Gain on transfer of real estate in trust	-	-	1,089	-
Other	**862**	-	-	**9,359**
Total	**44,553**	96,585	22,404	**1,048,697**
Special expenses				
Loss on retirement of fixed assets	**5,997**	5,320	5,578	**65,114**
Loss on sale of fixed assets	**2,007**	322	564	**21,791**
Loss on impairment (Note 7)	**38,843**	3,564	2,361	**421,748**
Loss on devaluation of investment securities (Note 18)	**8,363**	5,878	230	**90,803**
Loss on sale of investment securities (Note 18)	**2,038**	607	14	**22,128**
Loss on sale of shares of subsidiaries and affiliates	**21,661**	-	-	**235,190**
Business restructuring expense (Note 11)	**1,513**	3,451	3,878	**16,427**
Expense of reserve for loss on liquidation of business (Note 2)	**2,628**	-	-	**28,534**
Expenses for integration (Note 12)	**5,623**	4,643	-	**61,053**
Non-recurring depreciation on fixed assets (Note 2)	**3,299**	762	-	**35,819**
Loss on devaluation of inventories (Note 2)	**942**	-	-	**10,228**
Compensation for damages (Note 13)	-	1,937	-	-
Loss on sale of shares of subsidiaries and affiliates	-	-	1,731	-
Loss on liquidation of business (Note 14)	-	2,714	-	-
Amortization of goodwill (Note 15)	-	1,531	-	-
Loss of equity method investments (Note 16)	-	3,180	1,929	-
General interest charge of income taxes for prior years in a foreign subsidiary (Note 17)	-	-	1,092	-
Other	**3,635**	-	-	**39,467**
Total	**96,554**	33,915	17,380	**1,048,360**

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Income before income taxes and minority interests	**92,613**	165,735	128,413	**1,005,570**
Income taxes - current	**57,023**	64,026	48,800	**619,142**
Income taxes for prior years (Note 17)	-	-	(2,011)	
Income taxes - deferred	**(28,108)**	4,366	3,554	**(305,190)**
Minority interests	**14,526**	17,160	11,355	**157,719**
Net income	**¥49,172**	¥80,182	¥66,713	**$533,897**

	Yen			U.S. dollars (Note 1)
Earnings per share				
Primary	**¥51.54**	¥84.01	¥69.86	**$559**
Diluted	-	-	-	-
Cash dividends per share applicable to the year	**23.00**	23.00	21.00	**249**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Common stock				
Number of shares (Thousands of shares)				
Balance at beginning of year	**984,508**	984,508	984,508	
Balance at end of year	**984,508**	984,508	984,508	
Amount				
Balance at beginning of year	**¥102,045**	¥102,045	¥102,045	**$1,107,980**
Balance at end of year	**¥102,045**	¥102,045	¥102,045	**$1,107,980**
Capital surplus				
Additional paid-in capital:				
Balance at beginning of year	**¥71,536**	¥71,353	¥71,114	**$776,720**
Surplus from sale of treasury stock	**45**	182	239	**488**
Balance at end of year	**¥71,582**	¥71,536	¥71,353	**$777,220**
Retained earnings				
Retained earnings at beginning of year	**¥839,248**	¥781,499	¥732,134	**$9,112,356**
Change due to adoption of ASBJ Practical Issues Task Force (PITF) No.18 (Note 2)	**(6,355)**	-	-	**(69,001)**
Change of items during the period				
Dividends from surplus (Note 23)	**(21,949)**	(22,432)	(17,192)	**(238,317)**
Net income	**49,172**	80,182	66,713	**533,897**
Change in scope of consolidation	**(411)**	-	-	**(4,462)**
Increase due to merger	**55**	-	-	**597**
Prior year adjustments for deferred taxes etc. of foreign affiliates	**778**	-	-	**8,447**
Decrease due to exclusion of affiliates accounted for by the equity method	-	-	(155)	-
Total changes of items during the period	**27,646**	57,749	49,366	**300,173**
Retained earnings at end of year	**¥860,538**	¥839,248	¥781,499	**$9,343,517**
Treasury stock				
Balance at beginning of year	**¥(29,058)**	¥(28,170)	¥(26,797)	**$(315,504)**
Purchase of treasury stock	**(1,625)**	(1,372)	(1,711)	**(17,643)**
Sale of treasury stock	**198**	484	337	**2,149**
Balance at end of year	**¥(30,486)**	¥(29,058)	¥(28,170)	**$(331,009)**
Shareholders' equity				
Balance at beginning of year	**983,772**	926,727	878,497	**10,681,563**
Change due to adoption of ASBJ Practical Issues Task Force (PITF) No.18 (Note 2)	**(6,355)**	-	-	**(69,001)**
Changes of items during the period				
Dividends from surplus (Note 23)	**(21,949)**	(22,432)	(17,192)	**(238,317)**
Net income	**49,172**	80,182	66,713	**533,897**
Change in scope of consolidation	**(411)**	-	(155)	**(4,462)**
Increase due to merger	**55**	-	-	**597**
Prior year adjustments for deferred taxes etc. of foreign affiliates	**778**	-	-	**8,447**
Purchase of treasury stock	**(1,625)**	(1,372)	(1,711)	**(17,643)**
Disposal of treasury stock	**243**	667	576	**2,638**
Total	**26,264**	57,044	48,230	**285,168**
Balance at end of year	**1,003,680**	983,772	926,727	**10,897,719**
Net unrealized holding gains on securities				
Balance at beginning of year	**¥37,430**	¥124,743	¥122,466	**$406,406**
Net changes of items	**(19,150)**	(87,313)	2,277	**(207,926)**
Balance at end of year	**¥18,279**	¥37,430	¥124,743	**$198,469**
Deferred gains or losses on hedges				
Balance at beginning of year	**¥79**	¥370	¥(352)	**$857**
Net changes of items	**(1,628)**	(290)	723	**(17,676)**
Balance at end of year	**¥(1,548)**	¥79	¥370	**$(16,807)**

Land revaluation difference				
Balance at beginning of year (Note 29)	**¥(4,713)**	¥(4,713)	¥(4,713)	**$(51,172)**
Balance at end of year	**¥(4,713)**	¥(4,713)	¥(4,713)	**$(51,172)**
Foreign currency translation adjustments				
Balance at beginning of year	**¥(88,756)**	¥7,683	¥(1,907)	**$(963,691)**
Net changes of items	**54,380**	(96,439)	9,591	**590,445**
Balance at end of year	**¥(34,375)**	¥(88,756)	¥7,683	**$(373,235)**
Total valuation and translation adjustments				
Balance at beginning of year	**(55,959)**	128,083	115,492	**(607,589)**
Change of items during the period				
Net changes of items other than stockholders' equity	**33,602**	(184,043)	12,591	**364,842**
Total	**33,602**	(184,043)	12,591	**364,842**
Balance at end of year	**(22,357)**	(55,959)	128,083	**(242,747)**
Subscription rights to shares				
Balance at beginning of year	**¥162**	¥ -	¥ -	**$1,758**
Net changes of items	**33**	162	-	**358**
Balance at end of year	**¥196**	¥162	¥ -	**$2,128**
Minority interests				
Balance at beginning of year	**¥222,023**	¥44,744	¥49,734	**$2,410,673**
Net changes of items	**(4,672)**	177,279	(4,990)	**(50,727)**
Balance at end of year	**¥217,350**	¥222,023	¥44,744	**$2,359,934**
Total Net Assets				
Balance at beginning of year	**1,149,998**	1,099,555	1,043,724	**12,486,406**
Change due to adoption of ASBJ Practical Issues Task Force (PITF) No.18 (Note 2)	**(6,355)**	-	-	**(69,001)**
Changes of items during the period				
Dividends from surplus (Note 23)	**(21,949)**	(22,432)	(17,192)	**(238,317)**
Net income	**49,172**	80,182	66,713	**533,897**
Change in scope of consolidation	**(411)**	-	(155)	**(4,462)**
Increase due to merger	**55**	-	-	**597**
Prior year adjustments for deferred taxes etc. of foreign affiliates	**778**	-	-	**8,447**
Purchase of treasury stock	**(1,625)**	(1,372)	(1,711)	**(17,643)**
Disposal of treasury stock	**243**	667	576	**2,638**
Net changes of items other than stockholders' equity	**28,963**	(6,602)	7,601	**314,473**
Total	**55,227**	50,442	55,831	**599,641**
Balance at end of year	**1,198,869**	1,149,998	1,099,555	**13,017,035**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Cash flows from operating activities				
Income before income taxes and minority interests	**¥92,613**	¥165,735	¥128,413	**$1,005,570**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**105,874**	95,948	71,913	**1,149,554**
Loss on impairment	**38,843**	3,564	2,361	**421,748**
Amortization of goodwill	**21,627**	22,376	7,448	**234,820**
Increase (decrease) in employees' pension and retirement benefits	**2,796**	134	(1,913)	**30,358**
Interest and dividend income	**(8,147)**	(8,966)	(7,263)	**(88,458)**
Equity in losses (earnings) of affiliates	**(8,902)**	(11,833)	(10,282)	**(96,655)**
Interest expense	**19,617**	25,385	12,618	**212,996**
Foreign currency translation loss (gain)	**(18,339)**	35,957	-	**(199,120)**
Gain on sale of fixed assets	**(8,054)**	(11,016)	(19,728)	**(87,448)**
Gain on sale of marketable securities and investment securities	**(34,631)**	(2,313)	(653)	**(376,015)**
Gain (loss) on changes in equity	-	(72,654)	-	-
Compensation for expropriation	-	(9,591)	-	-
Loss on disposal and sale of fixed assets	**8,004**	5,643	6,143	**86,905**
Loss on sale of shares of subsidiaries and affiliates	**21,661**	-	-	**235,190**
Loss on devaluation of investment securities	**8,363**	5,878	230	**90,803**
Decrease (increase) in notes and accounts receivable, trade	**32,096**	17,120	(3,205)	**348,490**
Decrease (increase) in inventories	**22,120**	(11,755)	(10,439)	**240,173**
Increase (decrease) in notes and accounts payable, trade	**(25,577)**	986	5,076	**(277,709)**
Increase (decrease) in liquor taxes payable	**(4,706)**	(3,735)	(57)	**(51,096)**
Increase (decrease) in consumption taxes payable	**(6,140)**	(1,136)	7,942	**(66,666)**
Increase (decrease) in deposits received	**(4,032)**	935	(7,310)	**(43,778)**
Other	**414**	(24,192)	(3,377)	**4,495**
Sub-total	**255,502**	222,471	177,917	**2,774,180**
Interest and dividend received	**23,465**	13,068	10,472	**254,777**
Interest paid	**(20,153)**	(23,308)	(11,629)	**(218,816)**
Income taxes paid	**(68,906)**	(80,948)	(62,175)	**(748,165)**
Net cash provided by operating activities	**189,907**	131,281	114,585	**2,061,965**
Cash flows from investing activities				
Payment for purchases of property, plant and equipment and intangible assets	**(110,246)**	(126,063)	(66,873)	**(1,197,024)**
Proceeds from sale of property, plant and equipment and intangible assets	**31,705**	26,506	24,747	**344,245**
Payment for purchases of marketable securities and investment securities	**(137,318)**	(2,144)	(183,787)	**(1,490,966)**
Proceeds from sale and redemption of marketable securities and investment securities	**152,365**	7,150	9,194	**1,654,343**
Payment for purchases of shares of subsidiaries	**(263,034)**	(1,663)	(6,648)	**(2,855,960)**
Payment for acquisition of shares of newly consolidated subsidiaries (Note 24)	-	(73,407)	(70,589)	-
Proceeds from acquisition of shares of newly consolidated subsidiaries	-	1,880	-	-
Payment of loans receivable	-	-	(38,052)	-
Collection of loans receivable	-	-	38,208	-
Proceeds from cancellation of life insurance investments	-	-	23,232	-
Proceeds from sale of shares of subsidiaries with consolidation/de-consolidation	**6,061**	-	-	**65,808**
Other	**(1,187)**	(1,590)	946	**(12,888)**
Net cash used in investing activities	**(321,654)**	(169,330)	(269,621)	**(3,492,442)**
Cash flows from financing activities				
Increase (decrease) in short-term loans payable	**82,675**	(232,766)	310,909	**897,665**
Proceeds from long-term debt	**147,059**	199,969	18,139	**1,596,731**
Repayment of long-term debt	**(56,684)**	(94,699)	(177,758)	**(615,461)**
Proceeds from issue of bonds	**100,000**	199,934	-	**1,085,776**
Payment for redemption of bonds	**(44,273)**	(5,888)	-	**(480,705)**
Payment for purchase of treasury stock	**(1,625)**	(1,372)	(1,711)	**(17,643)**
Proceeds from sale of treasury stock	**243**	667	576	**2,638**
Payment for purchase of treasury stock by the consolidated subsidiary	**(4,747)**	(976)	(27)	**(51,541)**
Cash dividends paid	**(21,949)**	(22,432)	(17,208)	**(238,317)**
Cash dividends paid to minority shareholders	**(26,645)**	(19,104)	(12,554)	**(289,305)**
Other	**155**	3,354	1,189	**1,682**
Net cash provided by (used in) financing activities	**174,208**	26,684	121,555	**1,891,509**
Effect of exchange rate fluctuation on cash and cash equivalents	**9,091**	(16,226)	(740)	**98,707**
Net increase (decrease) in cash and cash equivalents	**51,553**	(27,590)	(34,222)	**559,750**
Cash and cash equivalents at beginning of year	**68,457**	52,307	86,588	**743,289**
Net increase (decrease) in cash and cash equivalents from new consolidation/de-consolidation of subsidiaries	**(1,505)**	43,740	(58)	**(16,340)**
Net increase (decrease) in cash and cash equivalents from merger of consolidated subsidiaries	**292**	-	-	**3,170**
Cash and cash equivalents at end of year (Note 24)	**¥118,797**	¥68,457	¥52,307	**$1,289,869**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Kirin Holdings Company, Limited and Consolidated Subsidiaries

December 31, 2009, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Kirin Holdings Company, Limited (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in their respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on December 31, 2009, which was ¥92.10 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Fractions less than one million yen have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries that are controlled through substantial ownership of majority voting rights or through certain other means. All significant inter-company balances and transactions have been eliminated in the consolidation. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time when the Company acquired control of the respective subsidiaries. The number of consolidated subsidiaries was as follows:

	Number of companies at year-end		
	2009	2008	2007
Consolidated subsidiaries	**285**	371	345

Changes in the scope of consolidation are as follows:

(a) Due to increase in materiality, 1 subsidiary of Kyowa Hakko Kirin Co., Ltd. became a consolidated subsidiary.

(b) Due to additional acquisition of shares, 1 affiliated company of Kirin Beverage Co., Ltd. and 1 affiliated company of Kirin Kyowa Foods Company, Limited became consolidated subsidiaries.

(c) Due to sale of shares, Kirin Hotels Development Co., Ltd., Kirin Yakult NextStage Company, Limited, Tsurumi Warehouse Co., Ltd., Raymond Vineyard & Cellar, Inc., and 2 subsidiaries of Lion Nathan National Foods Pty Ltd were excluded from the consolidation scope.

(d) Due to liquidation and others, Kirin International Trading Inc., 1 subsidiary of Kirin Beverage Co., Limited, 1 subsidiary of Kyowa Hakko Kirin Co., Ltd. and 76 subsidiaries of Lion Nathan Ltd. were excluded from the consolidation scope.

(e) Due to merger, Kirin Food-Tech Company, Limited, 1 subsidiary of Kirin Techno-System Company, Limited, 1 subsidiary of Kirin Agribio EC B.V., and 1 subsidiary of The Coca-Cola Bottling Company of Northern New England, Inc. were excluded from the consolidation scope.

(Certain subsidiaries including Koiwai Shokuhin Corporation are excluded from the scope of consolidation because the effect of their sales, net income or losses, total assets and retained earnings on the accompanying consolidated financial statements are immaterial.)

Fiscal year-ends of the following consolidated subsidiaries are different from that of the Company:

	2009	
Consolidated subsidiaries	**Fiscal year-end**	
Lion Nathan Ltd.	**September 30**	**(i)&(iii)**
Kirin Agribio Company, Limited	**September 30**	**(i)**
Kirin Agribio EC B.V.	**September 30**	**(i)**

Consolidated subsidiaries	2008 Fiscal year-end	
Kyowa Hakko Kirin Co., Ltd.	March 31	(ii)
Lion Nathan Ltd.	September 30	(i)
Kirin Agribio Inc.	September 30	(i)
Kirin Agribio EC B.V.	September 30	(i)

(i) The Company used the financial statements of the companies as of their fiscal year-ends and for the years then ended for consolidation. .
(ii) The Company used the financial statements based on preliminary statements as of its fiscal year-ends and for the years then ended for consolidation.
(iii) Lion Nathan Ltd. was acquired on October 1, 2009 (the deemed acquisition date) and became a wholly-owned subsidiary. The Company records goodwill incurred from additional acquisition in the consolidated balance sheet of the fiscal year. The beginning for amortization of goodwill corresponds to the inception of consolidation of Lion Nathan Ltd. in the following fiscal year.

With respect to (i), the Company made necessary adjustments for major transactions between the fiscal year-ends of the consolidated subsidiaries and fiscal year-end of the Company.

Kyowa Hakko Kirin Co., Ltd. changed its fiscal year-end from March 31 to December 31 effective from the current fiscal year. As the Company has used the financial statements based on preliminary statements of Kyowa Hakko Kirin Co., Ltd. as of its fiscal year-end and for the years then ended for consolidation since Kyowa Hakko Kirin Co., Ltd. became a subsidiary, there is no effect on the net income or retained earnings of the Company as of December 31, 2009.

Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over periods mainly between 10 and 20 years. Any immaterial amounts are fully recognized as expenses as incurred.

(2) **EQUITY METHOD**

Investments in significant unconsolidated subsidiaries and affiliates (principally ownership interests of 20% to 50%) are accounted for by the equity method and, accordingly, are stated at purchase cost adjusted for equity earnings and losses belonging to the investments after elimination of unrealized inter-company profits and losses from the date of acquisition of shares. The number of unconsolidated subsidiaries and affiliates accounted for by the equity method was as follows:

	Number of companies at year-end		
	2009	2008	2007
Unconsolidated subsidiaries and affiliates accounted for by the equity method	**25**	27	22

Changes in the scope of application of the equity method are as follows:
(a) In 2009, due to new acquisition , San Miguel Brewery Inc. became an affiliate accounted for by the equity method.
(b) In 2009, due to new establishment, Diageo Kirin Company, Limited and 1 affiliate of Lion Nathan National Foods Pty Ltd became affiliates accounted for by the equity method.
(c) In 2009, due to sales of shares, San Miguel Corporation and 2 affiliates of Lion Nathan National Foods Pty Ltd were excluded from the scope of application of the equity method.
(d) In 2009, due to additional acquisition of shares, 1 affiliate of Kirin Beverage Co., Ltd. and 1 affiliate of Kirin Kyowa Foods Company, Limited became consolidated subsidiaries and were excluded from the scope of application of the equity method.
(e) In 2008, due to additional acquisition of shares, former Kyowa Hakko Kogyo Co., Ltd. became a consolidated subsidiary and was excluded from the scope of application of the equity method. Following this change, 4 affiliates of former Kyowa Hakko Kogyo Co., Ltd. became affiliates accounted for by the equity method.
(f) In 2008, due to new acquisition, 2 affiliates of Kirin Holdings (Australia) Pty Ltd became affiliates accounted for by the equity method.
(g) In 2008, accompanying with the new consolidation of former Kyowa Hakko Kogyo Co., Ltd, as a subsidiary, the Company has obtained the majority of the voting rights of Japan Synthetic Alcohol Co., Ltd., which was a Company's affiliated company accounted for by the equity method until the previous fiscal year . The company is regarded, however , as an unconsolidated subsidiary accounted for by the equity method because its equity interest is low and its effect on this consolidated financial statements is immaterial.

In 2008, accompanying with the new consolidation of former Kyowa Hakko Kogyo Co., Ltd, as a subsidiary, the Company has obtained the majority of the voting rights of Japan Synthetic Alcohol Co., Ltd., which was a Company's affiliated company accounted for by the equity method until the fiscal year of 2007. The company is regarded, however , as an unconsolidated subsidiary accounted for by the equity method because its equity interest is low and its effect on this consolidated financial statements is immaterial.

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In 2009 and 2008, certain investments in unconsolidated subsidiaries including Koiwai Shokuhin Corporation and affiliates including Diamond Sports Club Co., Ltd. were not accounted for by the equity method and were stated at cost because the effect of their net income or losses and retained earnings on the accompanying consolidated financial statements are immaterial.

Where fiscal year-ends of the affiliated companies accounted for by the equity method are different from that of the Company, the Company mainly uses their financial statements as of their fiscal year-ends and for the years then ended for applying the equity method.

In 2009, the Company recognized San Miguel Brewery Inc. (the fiscal year ended December 31) acquired in the second quarter of the Company in equity of earnings of its financial statements based on its third quarter financial statements. It is difficult for the Company to prepare its consolidated financial statements based on the final year-end figures of San Miguel Brewery Inc. due to the early disclosure of the consolidated business performance. As a result, the consolidated statements of income of the Company for the year ended December 31, 2009 includes the financial results of San Miguel Brewery Inc, for 6 months from April 1, 2009 to September 30, 2009.

In 2008, in an effort to respond to demands for expediting the process of business performance disclosure, and in consideration of the difficult situation to calculate equity in earnings of affiliates using their final figures for the year ended December 31, 2008, the Company has calculated equity in earnings of San Miguel Corporation based on the financial statements for 12 months from the fourth quarter of the previous fiscal year to the third quarter of the fiscal year.

(3) FOREIGN CURRENCY TRANSLATION INTO JAPANESE YEN

(a) Translation of accounts

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date. Gains and losses resulting from the translation are recognized in the consolidated statements of income as incurred.

(b) Financial statements denominated in foreign currencies

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for shareholders' equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

(4) CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, 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 are considered to be cash and cash equivalents.

(5) MARKETABLE AND INVESTMENT SECURITIES

According to the accounting standard, the Company and consolidated subsidiaries examine the intent of holding each security and classify those securities as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by subsidiaries and affiliated companies, or (d) all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”). The Company and consolidated subsidiaries did not have any security defined as (a) above for the years ended December 31, 2009 and 2008.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliates that are not consolidated or accounted for by the equity method are stated at the moving-average cost. Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average method. Available-for-sale securities without fair market value are stated at the moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, or available-for-sale securities declines significantly, such securities are restated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline.
For equity securities without fair market value, if the net asset value of the investee declines significantly, such securities are restated to net asset value with the corresponding losses recognized in the period of decline.
In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(6) INVENTORIES

Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the periodic average method. (The cost method with book value written down to the net realizable value). Raw materials, containers and supplies are mainly stated at cost determined by the moving-average method (The cost method with book value written down to the net realizable value). Cost on uncompleted construction contracts is stated at cost determined by the specific identification method.
Effective from the year ended December 31, 2009, the Company adopted “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, July 5, 2006). As a result, operating income, ordinary income and income before income taxes and minority interests decreased by ¥1,715 million ($18,621 thousand), ¥208 million ($2,258 thousand) and ¥1,150 million ($12,486 thousand), respectively. The effect of this change on segment information is explained in Note 19 “SEGMENT INFORMATION”.

(7) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company and consolidated subsidiaries provide allowance for doubtful accounts in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses.

(8) PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION (excluding lease assets)

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated loss from impairment. Depreciation for the Company and consolidated domestic subsidiaries is calculated using the declining-balance method except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method. Depreciation for several consolidated subsidiaries is calculated using the straight-line method.
In connection with the plants reorganization at consolidated subsidiaries, the Company reviewed and modified the useful lives of fixed assets and recognized their depreciation under “Non-recurring depreciation on fixed assets” in the Consolidated Statement of Income.

(Additional Information)
Due to the revision of the Corporation Tax Law, for property, plant and equipment acquired on or before to March 31, 2007, and whose book values have been reduced to 5% of the acquisition price by a depreciation method based on the pre-revision Corporation Tax Law, the difference between the equivalent of 5% of acquisition price and memorandum price is depreciated in equal amounts over the five-year period beginning with the year following the year when the book value reached 5%. However, the Company and certain consolidated subsidiaries adopt this method for property, plants and equipment acquired on or before June 30,2007.
In line with a revision of the Corporation Tax Law in 2008, from the year ended December 31, 2009, the Company and its consolidated subsidiaries in Japan have changed their estimates for the useful lives of part of machinery. As a result, operating income decreased by ¥5,304 million ($57,589 thousand), and ordinary income and income before income taxes and minority interests each decreased by ¥5,301 million ($57,557 thousand) for the current fiscal year. The effect of this change on segment information is explained in Note 19 “SEGMENT INFORMATION”.

(9) INTANGIBLE ASSETS (excluding lease assets)

The Company and consolidated domestic subsidiaries amortize intangible assets using the straight-line method. Consolidated overseas subsidiaries mainly adopt the straight-line method over 20 years.

(10) ALLOWANCE FOR EMPLOYEES’ BONUSES

The Company and consolidated subsidiaries provide allowance for employees’ bonuses based on the estimated amounts of payment.

(11) ALLOWANCE FOR BONUSES FOR DIRECTORS AND CORPORATE AUDITORS

The Company and consolidated subsidiaries provide allowance for bonuses for directors and corporate auditors based on the estimated amounts of payment.

(12) RESERVE FOR LOSS ON LIQUIDATION OF BUSINESS

The Company provides reserve for loss on business liquidation of subsidiaries and affiliates based on the estimated amounts of possible loss. For the year ended December 31, 2009, expense of reserve for loss on liquidation of business amounting to ¥2,628 million ($28,534 thousand) is reserved for liquidation or downsizing of Agribio business.

(13) RESERVE FOR REPAIR AND MAINTENANCE

The consolidated subsidiaries of Kyowa Hakko Kirin Co., Ltd. provide reserve for periodic repair and maintenance of production facilities based on the amounts required for the fiscal year of the estimated amounts of payment.

(14) EMPLOYEES’ PENSION AND RETIREMENT BENEFITS

The Company and consolidated subsidiaries provide allowance for employees’ pension and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Prior service cost is amortized by the straight-line method over mainly 5 to 15 years for the year ended December 31, 2009 and 2008, and mainly 13 to 15 years for the year ended December 31, 2007. Actuarial differences are amortized by the straight-line method over the average estimated service period, which is mainly 10 to 15 years for the year ended December 31, 2009 and 2008, and mainly 13 to 15 years for the year ended December 31, 2007, beginning from the following fiscal year.

(15) RETIREMENT BENEFITS FOR DIRECTORS AND CORPORATE AUDITORS

Provision for retirement benefits for directors and corporate auditors represents 100% of such retirement benefit obligations as of the balance sheet date calculated in accordance with policies of the Company and consolidated subsidiaries.

(16) RESERVE FOR REPAIR AND MAINTENANCE OF VENDING MACHINES

Kirin Beverage Co., Ltd. and consolidated subsidiaries provide reserve for repair and maintenance of vending machines by estimating the necessary repair and maintenance cost in the future, allocating the costs over a five-year period. The actual expenditure was deducted from the balance of the reserve on the consolidated balance sheets.

(17) RESERVE FOR LOSS ON REPURCHASE OF LAND

For the year ended December 31, 2009 and 2008, the Company provides the reserve at an amount deemed necessary to cover the possible loss related to perchase of land, which was sold to the Organization for Promoting Urban Development (the "Organization") in September 1998 and the estimated loss for land improvement and other.

(18) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the improvement of existing products or the development of new products, including basic research and fundamental development costs, are recognized in the consolidated statements of income in the year when incurred. The total amount of research and development expenses, included in cost of sales and selling, general and administrative expenses, was ¥58,534 million ($635,548 thousand), ¥54,004 million, and ¥28,595 million, respectively, in 2009, 2008 and 2007.

(19) LIQUOR TAXES

The amounts of liquor taxes stated in the consolidated statements of income represent the liquor taxes on the sale of liquor products.

(20) INCOME TAXES

Deferred tax accounting is adopted in accordance with the Japanese accounting standards. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax preparation purposes.

(21) CONSUMPTION TAXES

Consumption taxes are excluded from the revenue and expense accounts which are subject to such taxes.

(22) BONUSES TO DIRECTORS AND CORPORATE AUDITORS

The company and consolidated subsidiaries recognize directors' and corporate auditors' bonuses as expenses when incurred.

(23) LEASES

Finance leases, except for those leases under which the ownership of the leased assets was considered to be transferred to the lessee, were accounted for in the same method as operating leases. However, effective from the year ended December 31, 2009, the Company has applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 of June 17, 1993 (First Committee of the Business Accounting Council); revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 of January 18, 1994 (Japanese Institute of Certified Public Accountants, Committee on Accounting Systems); revised on March 30, 2007), and accordingly such transactions are now based on capital lease method. Depreciation is calculated on the straight-line method over the lease terms without residual value. For finance lease transactions other than those involving a transfer of title that began prior to the application of the new accounting standards, the previous operating lease method will continue to be applied.
The effect on net income of this change is immaterial.

(24) DERIVATIVE AND HEDGE ACCOUNTING

The accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains and losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and consolidated subsidiaries defer recognition of gains and losses resulting from changes in fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.

If forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (a) the difference, if any, between the amount in Japanese yen of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of income in the period which includes the inception date, and
   (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Interest rate swaps that hedge transactions between consolidated companies are stated at fair value and the changes in the fair value are recognized as income or loss for the current fiscal year.

Hedging instruments and hedged items
The following summarizes hedging derivative financial instruments used by the Company and consolidated subsidiaries and the items hedged:

Hedging instruments	Hedged items
Forward foreign exchange contracts, currency swap contracts, etc.	Receivables and payables in foreign currency, future transactions in foreign currency
Interest rate swap contracts, etc.	Interests on loans receivable and loans payable
Commodity swap contracts, etc.	Commodity prices

The Company and consolidated subsidiaries use derivative financial instruments mainly for the purpose of mitigating (i) fluctuation risk of foreign currency exchange rates with respect to receivables and payables in foreign currency and future transactions in foreign currency, (ii) fluctuation risk of interest rates with respect to loans receivable and loans payable, and (iii) fluctuation risk of commodity prices of raw materials and others.

The Company and consolidated subsidiaries evaluate hedging effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items with the corresponding changes in the hedging derivative instruments.

(25) PRACTICAL SOLUTION ON UNIFICATION OF ACCOUNTING POLICIES APPLIED TO FOREIGN SUBSIDIARIES FOR CONSOLIDATED FINANCIAL STATEMENTS

Effective from the year ended December 31, 2009, the Company has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No. 18 of May 17, 2006), and made the necessary adjustments to its financial statements.
As a result, beginning retained earnings decreased by ¥6,355 million ($69,001 thousand) due to the amortization of goodwill at overseas subsidiaries. The effect on net income of this change is immaterial.

(26) RECLASSIFICATION AND RESTATEMENT

Certain prior year amounts have been reclassified to conform to the current year presentation.
These reclassifications and restatement had no impact on previously reported results of operations.

3. SHORT-TERM LOANS PAYABLE, LONG-TERM DEBT, BONDS AND OTHER LONG-TERM LIABILITIES

Short-term loans payable outstanding at December 31, 2009 and 2008 consisted of the following:

	December 31,		December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Unsecured	**¥175,742**	¥89,851	**$1,908,165**
Secured	**100**	-	**1,085**
Total short-term loans payable	**¥175,842**	¥89,851	**$1,909,250**

Average annual interest rates on outstanding short-term loans payable for the years ended December 31, 2009 and 2008 were 0.73% and 2.49%, respectively.

Long-term debt and bonds at December 31, 2009 and 2008 consisted of the following:

	December 31, 2009	December 31, 2008	December 31, 2009
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Loans principally from banks and insurance companies, maturing serially from 2008 to 2018 with average annual interest rates of 3.19% for current portion and 2.42% for non-current portion	**¥384,173**	¥287,076	**$4,171,259**
1.20% coupon debentures in yen, due in 2009	**-**	40,000	**-**
0.553% coupon debentures in yen, due in 2012	**20,000**	-	**217,155**
1.09% coupon debentures in yen, due in 2013	**79,984**	79,979	**868,447**
0.856% coupon debentures in yen, due in 2014	**30,000**	-	**325,732**
1.27% coupon debentures in yen, due in 2015	**29,991**	29,989	**325,635**
1.69% coupon debentures in yen, due in 2018	**69,988**	69,987	**759,913**
1.639% coupon debentures in yen, due in 2019	**50,000**	-	**542,888**
1.86% coupon debentures in yen, due in 2020	**19,986**	19,985	**217,003**
8.65% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2010-2012	**10,730**	16,427	**116,503**
4.53% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2015	**17,800**	20,273	**193,268**
3.76% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2010	**8,944**	10,260	**97,111**
Others	**-**	60	**-**
Less current maturities	**(96,104)**	(73,458)	**(1,043,474)**
Total long-term debt and bonds	**¥625,494**	¥500,581	**$6,791,465**

The above balances of loans include secured loans of ¥8,499 million ($92,280 thousand) and ¥699 million for 2009 and 2008, respectively.

Other interest-bearing debt an December 31, 2009 and 2008 consisted of the following.

	December 31, 2009	December 31, 2008	December 31, 2009
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Finance lease obligation – current (at an average interest rate of 5.01%)	**¥558**	¥226	**$6,058**
Finance lease obligation – non-current (at an average interest rate of 5.74% maturing serially between 2011-2028)	**4,601**	2,200	**49,956**
Deposits received from customers (at an average interest rate of 1.32%)	**¥60,607**	¥57,384	**$658,056**

Deposits received on the accompanying consolidated balance sheets include non-interest-bearing deposits.
The above balance of deposits received includes a secured portion of ¥3,408 million ($37,003 thousand) and ¥3,408 million for 2009 and 2008, respectively.

The aggregate annual maturities of long-term debt, bonds and finance lease obligation at December 31, 2009 were as follows.

Year ending December 31,	Amount (Millions of yen)	Amount (Thousands of U.S. dollars) (Note 1)
2010	**¥96,663**	**$1,049,543**
2011	**55,836**	**606,254**
2012	**63,430**	**688,707**
2013 and thereafter	**510,829**	**5,546,460**
Total	**¥726,759**	**7,890,977**

Deposits received are not included in the above schedule of annual maturities, as there is no fixed maturity period for these deposits.

As of December 31, 2009 and 2008, assets pledged as collateral for the above secured liabilities were as follows:

	December 31,		December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Cash	**¥14**	¥14	**$152**
Notes and accounts receivable, trade	**35**	-	**380**
Property, plant and equipment	**2,658**	3,778	**28,859**
Other	**1,105**	957	**11,997**
Total	**¥3,814**	¥4,750	**$41,411**

In addition to the above, deposits received relating to construction were recognized at the discounted present value of ¥9,974 million ($108,295 thousand), and ¥9,779 million for the year ended December 31, 2009 and 2008, respectively, in accordance with the accounting standard for financial instruments.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at costs net of accumulated depreciation and accumulated loss from impairment in the consolidated balance sheets, and are summarized as follows:

	December 31,		December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Buildings and structures	**¥631,286**	¥624,928	**$6,854,354**
Machinery, equipment and vehicles	**948,436**	939,185	**10,297,893**
Land	**227,671**	244,240	**2,471,997**
Construction in progress	**75,235**	57,244	**816,883**
Other	**188,286**	187,092	**2,044,364**
Total	**2,070,917**	2,052,691	**22,485,526**
Accumulated depreciation	**(1,296,643)**	(1,261,379)	**(14,078,642)**
Net of property, plant and equipment	**¥774,274**	¥791,311	**$8,406,883**

5. CONTINGENT LIABILITIES

For the year ended in December 31, 2009, the Company and consolidated subsidiaries were contingently liable as guarantors of loan obligations of unconsolidated subsidiaries, affiliates, employees and others for the amount of ¥8,481 million ($92,084 thousand).
The Company and consolidated subsidiaries were also contingently liable for notes and accounts receivables transferred through securitization for the amount of ¥1,515 million ($16,449 thousand).
The Company and consolidated subsidiaries were also contingently liable for notes receivable discounted for the amount of ¥39 million ($423 thousand).
For the year ended in December 31, 2008, the Company and consolidated subsidiaries were contingently liable as guarantors of loan obligations of unconsolidated subsidiaries, affiliates, employees and others for the amount of ¥12,954 million.
The Company and consolidated subsidiaries were also contingently liable for notes receivable discounted for the amount of ¥66 million.

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended December 31, 2009, 2008 and 2007 were as follows:

	Year ended December 31,			Year ended December 31,
	2009	2008	2007	**2009**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Sales promotion	**¥192,714**	¥201,273	¥181,475	**$2,092,442**
Freight	**80,010**	79,901	56,965	**868,729**
Advertising	**68,231**	72,069	69,075	**740,836**
Employees' pension and retirement benefit expenses	**15,912**	12,113	9,600	**172,768**
Salaries and wages of employees	**141,921**	139,550	103,494	**1,540,944**
Research and development expenses	**57,843**	53,440	28,595	**628,045**
Depreciation	**30,900**	32,426	25,353	**335,504**

7. LOSS ON IMPAIRMENT

In 2009, the Company and its consolidated subsidiaries classified fixed assets into groups by the respective type of business (Alcohol Beverages, Soft Drinks and Foods, Pharmaceuticals, and Other), which are the units making investment decisions.

Use	Location	Type of assets
Asset used for business (Alcohol Beverages business)	Shioya-gun, Tochigi and 7 others	Buildings and structures, machinery, equipment and vehicles, land and other
Asset used for business (Soft Drinks and Foods business)	South Australia, Australia and 2 others	Buildings and structures, machinery, equipment and vehicles, and tools
Asset for rent	Taisho-ku, Osaka	Buildings and structures, and land
Idle properties	Itabashi-ku, Tokyo and 3 others	Buildings and structures, machinery, equipment and vehicles, land and other

For fixed assets in the real estate business included in Others, the restaurant business and idle properties along with individual properties or stores are considered to constitute a group. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independent of other assets or group of assets.

Carrying amounts of certain assets were devalued to their memorandum value or recoverable amount because (i) It became clear that Tochigi and Hokuriku plants of Kirin Brewery Company, Limited in Alcohol Beverages business would no longer be utilized as a result of their reorganization and Kirin Hiroshima Brewery would no longer be utilized as a result of the plan of its shutting down, (ii) Some of assets used for Soft Drinks and Foods business are being reorganized as production equipment, (iii) carrying amounts of rental properties were not recovered by estimated future cash flows, and (iv) carrying amounts of idle properties were devalued to their recoverable amounts, owing to substantial decline in their fair market value.

During the fiscal year ended December 31, 2009, the Company and consolidated subsidiaries recognized loss on impairment on the following group of assets.
As a result, the Company recognized a loss on impairment, recorded under special expenses, comprising ¥13,319 million ($144,614 thousand) for buildings and structures, ¥9,351 million ($101,530 thousand) for machinery, equipment and vehicles, ¥7,534 million ($81,802 thousand) for land, ¥144 million ($1,563 thousand) for other property, plant and equipment, ¥379 million ($4,115 thousand) for other intangible assets, and ¥7,815 million ($84,853 thousand) for removal costs.
The recoverable amount of each group of assets is the higher of net selling price (fair value less cost to sell) or value in use calculated by discounting future cash flows at an interest rate of 5.0 %.
For the Kirin Brewery Company, Limited, value in use of the depreciation assets related to the plants reorganization is calculated by the depreciation expense equivalents until the cessation of manufacture.
Besides the above, due to a decline in premium brand profitability at consolidated subsidiaries in Australia, loss on impairment other intangible assets, in the amount of ¥299 million ($3,246 thousand), was recognized.

In 2008, the Company and consolidated subsidiaries classified fixed assets into groups by the respective type of business (Alcohol Beverages, Soft Drinks and Foods, Pharmaceuticals, and Other), which are the units making investment decisions.

Use	Location	Type of assets
Asset used for business (Soft Drinks and Foods business)	Matsumoto, Nagano	Buildings and structures, machinery, equipment and vehicles, and others
Asset used for business and idle properties (Soft Drinks and Foods business)	Bungotakata, Oita and another	Buildings and structures, land and others
R&D facilities (Pharmaceuticals business)	Maebashi, Gunma	Buildings and structures, land
Asset for rent	Shibuya-ku, Tokyo	Buildings and structures
Idle properties	Ube, Yamaguchi and 3 others	Buildings and structures, machinery, equipment and vehicles, and others

For fixed assets in the real estate business included in others, the restaurant business and idle properties along with individual properties or stores are considered to constitute a group. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independent of other assets or group of assets.

Carrying amounts of certain assets were devalued to their memorandum value or recoverable amount because (i) it became clear that part of our R&D facilities would no longer be utilized as a result of the reorganization of R&D centers within the Group, (ii) the Company decided to withdraw from some part of Soft Drinks and Foods business, (iii) carrying amounts of idle properties were devalued to their recoverable amounts, owing to substantial decline in their fair market value, (iv) the Company decided to sell part of certain assets for rent in the real estate business and (v) carrying amounts of certain assets used for the Soft Drinks and Foods business were not recovered by estimated future cash flows, and their carrying amounts were devalued to their recoverable amounts.

During the year ended December 31, 2008, the Company and consolidated subsidiaries recognized loss on impairment on the following group of assets.
As a result, the Company recognized a loss on impairment, recorded under special expenses, comprising ¥2,333 million for buildings and structures, ¥608 million for machinery, equipment and vehicles, ¥485 million for land and ¥872 million for other items. ¥1,503 million of these losses is included in loss on liquidation of business.
The recoverable amount of each group of assets is the higher of net selling price (fair value less costs to sell) or value in use calculated by discounting future cash flows at an interest rate of 5.0 %.
For the US consolidated subsidiaries, a deterioration of excess earning power of certain brand trademark led to a lowering of the recoverable amounts. This loss on impairment of ¥768 million was recognized on other intangible assets (trademark right) in accordance with US accounting standards.

In 2007, the Company and consolidated subsidiaries classified fixed assets into groups by the respective type of business (alcohol beverages, soft drinks, pharmaceuticals, and others), which are the units making investment decisions.

Use	Location	Type of assets
Asset used for business (Restaurant business)	Shinjuku-ku, Tokyo	Buildings and structures, machinery, equipment and vehicles, and others
Idle properties	Guangdong Province, China and 2 others	Buildings and structures, machinery, equipment and vehicles, and others

For fixed assets in the real estate business included in others, the restaurant business and idle properties along with individual properties or stores are considered to constitute a group. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independent of other assets or group of assets.

Carrying amounts of certain assets used for business were not recovered by estimated future cash flows, and their carrying amounts were devalued to their recoverable amounts. Carrying amounts of idle properties were devalued to their recoverable amounts, owing to substantial decline in their fair market value.

During the fiscal year ended December 31, 2007, the Company and consolidated subsidiaries recognized loss on impairment on the following group of assets.
As a result, the Company recognized a loss on impairment, recorded under special expenses, comprising ¥846 million for buildings and structures, ¥808 million for machinery, equipment and vehicles and ¥15 million for other items.
The recoverable amount of each group of assets is the higher of net selling price (fair value less costs to sell) or value in use calculated by discounting future cash flows at an interest rate of 5.0 %.

8. FOREIGN CURRENCY TRANSLATION GAIN OR LOSS

For the year ended December 31, 2009, loss on currency swaps and forward foreign exchange contracts, amounting to ¥16,597 million ($180,206 thousand), that are carried to hedge the foreign exchange rates fluctuation risks for loans receivable in foreign currency is presented after offsetting foreign currency translation gain.
For the year ended December 31, 2008, gain on valuation of currency swaps ¥23,541 million that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currency is presented after offsetting the foreign currency translation losses.

9. GAIN ON CHANGE IN EQUITY

For the year ended December 31, 2008, a gain on change in equity arises from the share exchange undertaken between Kirin's consolidated subsidiary former Kirin Pharma Company, Limited (now Kyowa Hakko Kirin Co., Ltd.) and former Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.). And this gain on change in equity is recognized as arising from the difference between the value of former Kirin Pharma Company, Limited shares held by Kirin that were exchanged (the decrease of Kirin's holding of former Kirin Pharma Company, Limited shares, based on its market price) and the reduced amount of Kirin's holding of former Kirin Pharma Company, Limited shares (the decrease of the value of Kirin's holding of former Kirin Pharma Company, Limited shares based on the fair book value of Kirin's holdings of former Kirin Pharma Company, Limited immediately prior to the share exchange).

10. COMPENSATION FOR EXPROPRIATION

For the year ended December 31, 2008, Kirin Brewery Co., Ltd. entered into a sales contract of the land of its Yokohama Plant and a compensation contract for the transfer of the plant's equipment and other, with Metropolitan Expressway Co., Ltd. related to the expressway construction. The gain on sale of land and the compensation margin for the property transfer due to the expropriation are recorded in "Compensation for expropriation" of "Special income." "Reserve for deferred gain on sale of property" for assets subject to advanced depreciation that were acquired in the fiscal year, and "Reserve for special account for deferred gain on sale of property" for assets planned to be acquired in or after the following fiscal year, are respectively included in "Retained earnings" of "Shareholders' Equity."

11. BUSINESS RESTRUCTURING EXPENSE

For the year ended December 31, 2009 and 2008, business restructuring expense comprised a premium on retirement benefits amounting to ¥1,363 million ($14,799 thousand) and ¥3,208 million resulting from early retirement at consolidated subsidiaries.

12. EXPENSES FOR INTEGRATION

For the year ended December 31, 2009 and 2008, temporary expenses resulting from strategic integration in the Group are included in "Expenses for integration."

13. COMPENSATION FOR DAMAGES

For the year ended December 31, 2009 and 2008, the amount of damages resulting from sale of fixed assets of a consolidated subsidiary are included in "Compensation for damages".

14. LOSS ON LIQUIDATION OF BUSINESS

For the year ended December 31, 2008, loss on liquidation of business comprised impairment loss amounting to ¥1,503 million, a premium employees' retirement benefits amounting to ¥799 million, and loss on devaluation of inventories amounting to ¥ 342 million, resulting from liquidation or downsizing of Soft Drinks and Foods business at a consolidated subsidiary.

15. AMORTIZATION OF GOODWILL

For the year ended December 31, 2008, the Company fully amortized goodwill as an expense as incurred, in accordance with paragraph 32 (1) of JICPA Accounting Committee report No.7 "Practical Guidance for Consolidation Procedures Related to Equity Accounts in Consolidated Financial Statements".

16. LOSS OF EQUITY METHOD INVESTMENTS

For the year ended December 31, 2008 and 2007, the Company fully amortized goodwill related to affiliates as expenses as incurred in accordance with the proviso in paragraph 9 of JICPA Accounting Committee report No.9, "Practical Guidance for Accounting of Equity Method" and paragraph 32 (1) of JICPA Accounting Committee report No.7, "Practical Guidance for Consolidation Procedures Related to Equity Accounts in Consolidated Financial Statements".

17. GENERAL INTEREST CHARGE OF INCOME TAXES FOR PRIOR YEARS IN A FOREIGN SUBSIDIARY, INCOME TAXES FOR PRIOR YEARS

During the year ended December 31, 2007, a deduction amount was fixed concerning the writing off of a bad debt that became a point of contention between a certain overseas consolidated subsidiary and its local tax authority. An amount equivalent to the interest charge corresponding to the tax due is recorded as "General interest charge of income taxes for prior years in a foreign subsidiary" and the refunded portion of income taxes payable recorded in the previous year is recorded as "Income taxes for prior years".

18. INFORMATION ON SECURITIES

The following tables summarize acquisition costs, book value and fair value of securities with fair market value.

(a) Held-to-maturity debt securities with fair market value

	December 31, 2009					
	Book value	Fair market value	Difference	Book value	Fair market value	Difference
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
1. Securities with fair market value exceeding book value						
Governmental/municipal bonds	**¥630**	**¥640**	**¥10**	**$6,840**	**$6,948**	**$108**
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	**630**	**640**	**10**	**$6,840**	**$6,948**	**$108**
2. Securities with fair market value not exceeding book value						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Total	**¥630**	**¥640**	**¥10**	**$6,840**	**$6,948**	**$108**

	December 31, 2008		
	Book value	Fair market value	Difference
	(Millions of yen)		
1. Securities with fair market value exceeding book value			
Governmental/municipal bonds	¥600	¥608	¥8
Corporate bonds	-	-	-
Other	-	-	-
Sub-total	600	608	8
2. Securities with fair market value not exceeding book value			
Governmental/municipal bonds	60	59	(0)
Corporate bonds	-	-	-
Other	-	-	-
Sub-total	60	59	(0)
Total	¥660	¥667	¥7

(b) Available-for-sale securities with fair market value

	December 31, 2009					
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
1. Securities with book value exceeding acquisition cost						
Equity securities	**¥75,675**	**¥129,777**	**¥54,102**	**$821,661**	**$1,409,087**	**$587,426**
Bonds						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	**23**	**25**	**1**	**249**	**271**	**10**
Other	-	-	-	-	-	-
Sub-total	**75,698**	**129,803**	**54,104**	**821,910**	**1,409,370**	**587,448**
2. Securities with book value not exceeding acquisition cost						
Equity securities	**69,509**	**49,358**	**(20,151)**	**754,712**	**535,917**	**(218,794)**
Bonds						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	**69,509**	**49,358**	**(20,151)**	**754,712**	**535,917**	**(218,794)**
Total	**¥145,208**	**¥179,161**	**¥33,952**	**$1,576,634**	**$1,945,287**	**$368,642**

	December 31, 2008		
	Acquisition cost	Book value	Difference
	(Millions of yen)		
1. Securities with book value exceeding acquisition cost			
Equity securities	¥87,933	¥163,737	¥75,804
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	46	47	1
Other	15	15	0
Sub-total	87,995	163,801	75,805
2. Securities with book value not exceeding acquisition cost			
Equity securities	103,110	79,467	(23,642)
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Sub-total	103,110	79,467	(23,642)
Total	¥191,106	¥243,268	¥52,162

(c) Total sale of available-for-sale securities

	Year ended December 31,		Year ended December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Amount sold	**¥69,329**	¥6,732	**$752,757**
Total gain on sale	**33,286**	2,284	**361,411**
Total loss on sale	**¥1,180**	¥601	**$12,812**

(d) Book value of major securities not measured at fair market value

	Year ended December 31,		Year ended December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Held-to-maturity debt securities			
Unlisted foreign debt securities	-	¥655	-
Available-for-sale securities			
Unlisted equity securities	**¥25,922**	29,525	**$281,454**
Other	**186**	492	**2,019**
Total	**¥26,109**	¥30,673	**$283,485**

(e) Redemption schedule

The redemption schedules of available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2009 are as follows:

	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
1. Bonds								
Governmental/ municipal bonds	**¥120**	**¥510**	-	-	**$ 1,302**	**$5,537**	-	-
Corporate bonds	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
2. Other	-	-	-	-	-	-	-	-
Total	**¥120**	**¥510**	-	-	**$1,302**	**$5,537**	-	-

The redemption schedules of available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2008 are as follows:

	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	(Millions of yen)			
1. Bonds				
Governmental/ municipal bonds	¥60	¥600	-	-
Corporate bonds	-	-	-	-
Other	-	-	-	-
2. Other	-	-	-	-
Total	¥60	¥600	-	-

(f) Impairment loss on investment securities

Impairment losses of ¥8,363 million ($90,803 thousand) and ¥5,878 million were recognized in the consolidated statements of income as "Loss on devaluation of investment securities", for available-for-sale securities for the years ended December 31, 2009 and 2008, respectively. Where the fair market value of available-for-sale securities has declined by more than 30% from their acquisition costs, the value of those securities is considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, unless the value is considered recoverable. For available-for-sale securities without fair market value, when the substantive value of those securities has declined by more than 50% from their acquisition costs, the value of those securities is considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, except for cases where the recoverability of the value of those securities in the future is supported by reasonable grounds.

19. SEGMENT INFORMATION

(a) Business segment information

	Year ended December 31, 2009						
	Alcohol Beverages	Soft Drinks and Foods	Pharma-ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	**¥1,097,694**	**¥735,032**	**¥206,760**	**¥238,986**	**¥2,278,473**	**¥ -**	**¥2,278,473**
Less liquor taxes	**358,517**	**-**	**-**	**1,225**	**359,743**	**-**	**359,743**
Net sales	**739,176**	**735,032**	**206,760**	**237,760**	**1,918,730**	**-**	**1,918,730**
Inter-segment	**35,639**	**5,760**	**622**	**32,227**	**74,250**	**(74,250)**	**-**
Total sales	**774,815**	**740,793**	**207,383**	**269,988**	**1,992,981**	**(74,250)**	**1,918,730**
Operating expenses	**672,014**	**733,693**	**173,048**	**266,134**	**1,844,891**	**(54,595)**	**1,790,295**
Operating income	**¥102,800**	**¥7,099**	**¥34,334**	**¥3,854**	**¥148,089**	**¥(19,654)**	**¥128,435**
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	**¥1,305,175**	**¥661,590**	**¥421,781**	**¥372,036**	**¥2,760,582**	**¥100,611**	**¥2,861,194**
Depreciation and amortization	**48,441**	**27,716**	**10,913**	**17,036**	**104,107**	**1,766**	**105,874**
Loss on impairment	**28,265**	**5,838**	**4,290**	**111**	**38,507**	**336**	**38,843**
Capital expenditures	**51,853**	**17,816**	**17,152**	**18,418**	**105,239**	**13,008**	**118,248**

	Year ended December 31, 2009						
	Alcohol Beverages	Soft Drinks and Foods	Pharma-ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Thousands of U.S. dollars) (Note 1)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	**$1,1918,501**	**$7,980,803**	**$2,244,951**	**$2,594,853**	**$24,739,120**	**¥ -**	**$24,739,120**
Less liquor taxes	**3,892,692**	**-**	**-**	**13,300**	**3,906,004**	**-**	**3,906,004**
Net sales	**8,025,798**	**7,980,803**	**2,244,951**	**2,581,541**	**20,833,116**	**-**	**20,833,116**
Inter-segment	**386,959**	**62,540**	**6,753**	**349,913**	**806,188**	**(806,188)**	**-**
Total sales	**8,412,757**	**8,043,355**	**2,251,715**	**2,931,465**	**21,639,315**	**(806,188)**	**20,833,116**
Operating expenses	**7,296,568**	**7,966,264**	**1,878,914**	**2,889,620**	**20,031,389**	**(592,779)**	**19,438,599**
Operating income	**$1,116,178**	**$77,079**	**$372,790**	**$41,845**	**$1,607,915**	**$(213,398)**	**$1,394,516**
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	**$14,171,281**	**$7,183,387**	**$4,579,598**	**$4,039,478**	**$29,973,745**	**$1,092,410**	**$31,066,167**
Depreciation and amortization	**525,960**	**300,933**	**118,490**	**184,972**	**1,130,369**	**19,174**	**1,149,554**
Loss on impairment	**306,894**	**63,387**	**46,579**	**1,205**	**418,099**	**3,648**	**421,748**
Capital expenditures	**563,007**	**193,441**	**186,232**	**199,978**	**1,142,660**	**141,237**	**1,283,908**

Business segments are classified based on business management framework in consideration of the type and nature of products.
Main products by each business segment are as follows:

Business segment	Main products
Alcohol beverages	Beer, sparkling malt liquor (*happo-shu*), new genre, whiskey, spirits, wine, engineering, logistics, etc.
Soft drinks and Foods	Soft drinks ,foods, health foods, & functional foods, etc.
Pharmaceuticals	Pharmaceutical products
Others	Biochemical, chemical, floriculture, etc.

Unallocable operating expenses included in “Eliminations or Corporate” are as follows:

Year ended December 31, 2009 ¥19,441 million ($211,085 thousand), mainly consisting of ¥16,380 million ($177,850 thousand) for Group administrative expenses due to the Company’s transfer to a pure holding company and ¥3,060 million ($33,224 thousand) for research and development of basic technologies.

Corporate assets included in “Eliminations or Corporate” mainly consist of surplus funds (cash) and long- term investments (investment securities) of the Company, assets which belong to the administrative department of the Company.

Year ended December 31, 2009 ¥484,893 million ($5,264,853 thousand)

	Year ended December 31, 2008						
	Alcohol Beverages	Soft Drinks and Foods	Pharma-ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	¥1,181,509	¥716,688	¥171,517	¥233,853	¥2,303,569	¥ -	¥2,303,569
Less liquor taxes	379,782	-	-	909	380,691	-	380,691
Net sales	801,727	716,688	171,517	232,943	1,922,877	-	1,922,877
Inter-segment	37,046	4,845	428	33,334	75,654	(75,654)	-
Total sales	838,773	721,533	171,946	266,278	1,998,532	(75,654)	1,922,877
Operating expenses	728,784	715,102	143,745	247,998	1,835,630	(58,730)	1,776,900
Operating income	¥109,989	¥6,431	¥28,200	¥18,280	¥162,901	¥(16,924)	¥145,977
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	¥1,075,161	¥607,995	¥401,978	¥368,909	¥2,454,045	¥165,578	¥2,619,623
Depreciation and amortization	47,422	26,450	7,628	12,341	93,843	1,908	95,751
Loss on impairment	1,418	26	1,751	367	3,564	-	3,564
Capital expenditures	60,834	30,450	5,267	14,830	111,383	17,058	128,441

	Year ended December 31, 2007						
	Alcohol Beverages	Soft Drinks	Pharma-ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	¥1,189,478	¥411,254	¥69,909	¥130,522	¥1,801,164	¥ -	¥1,801,164
Less liquor taxes	400,555	-	-	-	400,555	-	400,555
Net sales	788,922	411,254	69,909	130,522	1,400,608	-	1,400,608
Inter-segment	35,798	63	-	25,119	60,980	(60,980)	-
Total sales	824,720	411,317	69,909	155,641	1,461,589	(60,980)	1,400,608
Operating expenses	728,157	393,324	56,907	151,274	1,329,664	(49,664)	1,280,000
Operating income	¥96,563	¥17,992	¥13,001	¥4,366	¥131,924	¥(11,316)	¥120,608
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	¥1,122,086	¥308,010	¥134,545	¥427,198	¥1,991,840	¥477,827	¥2,469,667
Depreciation and amortization	47,151	16,185	3,817	5,836	72,990	879	73,870
Loss on impairment	2,011	6	-	343	2,361	-	2,361
Capital expenditures	43,547	18,167	2,977	8,263	72,956	728	73,685

The type and nature of products are considered in the classification by business segment. Main products by each segment are as follows;

Year ended December 31, 2008

Business segment	Main products
Alcohol beverages	Beer, sparkling malt liquor (*happo-shu*), new genre, whiskey, spirits, wine, engineering, logistics, etc.
Soft drinks and Foods	Soft drinks ,foods, health foods, & functional foods, etc.
Pharmaceuticals	Pharmaceutical products
Others	Biochemical, chemical, floriculture, etc.

Year ended December 31, 2007

Business segment	Main products
Alcohol beverages	Beer, sparkling malt liquor (*happo-shu*), new genre, whiskey, spirits, wine, engineering, logistics, etc.
Soft drinks	Soft drinks and other drinks
Pharmaceuticals	Pharmaceutical products
Others	Health foods & functional foods, floriculture, etc.

Unallocable operating expenses included in “Eliminations or Corporate” are as follows:

Year ended December 31, 2008	¥17,854 million, mainly consisting of ¥14,779 million for Group administrative expenses due to the Company’s transfer to a pure holding company and ¥3,074 million for research and development of basic technologies.
Year ended December 31, 2007	¥11,713 million, mainly consisting of ¥9,055 million for Group administrative expenses due to the Company’s transfer to a pure holding company and for research and development of basic technologies.

Corporate assets included in “Eliminations or Corporate” mainly consist of surplus funds (cash and marketable securities) and long- term investments (investment securities and life insurance investments) of the Company, assets which belong to the administrative department of the Company.

Year ended December 31, 2008	¥576,293 million
Year ended December 31, 2007	¥625,844 million

(Changes in classification of business segment)

In 2008, the Company acquired all outstanding shares in National Foods Limited, a dairy and beverage producer in Australia, at the end of the previous fiscal year, expanding business locations in the areas of food and health; seizing this opportunity to begin a new strategy to “develop health food and functional food business leveraging group synergies” as one of Kirin Group’s management policies for the fiscal year. Under this strategy the Company has defined the domain identity of the health food and functional food business as "all foods that customers consciously consume for health reasons" and make efforts to strengthen this business Group-wide between companies that handle food materials—including soft drinks, dairy products, functional foods, and seasonings businesses.

In accordance with this revision of the group’s management structure, from this fiscal year the businesses of food, health food and functional food etc., which had been included in the “Others” segment, have been reclassified into the “Soft Drinks” segment, as these businesses are managed as a package with the soft drinks business. And during this same time, the “Soft Drinks” segment was renamed “Soft Drinks and Foods.”

For reference, business segment information for the year ended December 31, 2007 that shows the business classification to conform to this fiscal year is provided below:

	Year ended December 31, 2007						
	Alcohol Beverages	Soft Drinks and Foods	Pharma-ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	¥1,189,478	¥474,560	¥69,909	¥67,216	¥1,801,164	¥ -	¥1,801,164
Less liquor taxes	400,555	-	-	-	400,555	-	400,555
Net sales	788,922	474,560	69,909	67,216	1,400,608	-	1,400,608
Inter-segment	35,798	1,344	-	24,080	61,222	(61,222)	-
Total sales	824,720	475,904	69,909	91,296	1,461,831	(61,222)	1,400,608
Operating expenses	728,157	459,873	56,907	84,967	1,329,906	(49,906)	1,280,000
Operating income	¥96,563	¥16,030	¥13,001	¥6,329	¥131,924	¥(11,316)	¥120,608
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	¥1,122,086	¥652,126	¥134,545	¥123,730	¥2,032,489	¥437,178	¥2,469,667
Depreciation and amortization	47,151	17,463	3,817	4,557	72,990	879	73,870
Loss on impairment	2,011	349	-	-	2,361	-	2,361
Capital expenditures	43,547	20,335	2,977	6,095	72,956	728	73,685

In 2007, the Company introduced the pure holding company system on July 1, and implemented a restructuring of the Group's management structure. In governing the Group, clarification of the roles and responsibilities between the holding company and the operating companies will be made and the independence and mobility of each operating company will also be enhanced, while the holding company seeks to achieve a quantum leap in growth and create a group premium.

Accordingly, concomitant with its new management structure, the Company changed its method of business segment classification and now classifies them "based on the business management framework in consideration of the type and nature of products". Business segments had previously been classified "in consideration of the type and nature of products".

Due to this change, the businesses of engineering, logistics, etc., which had been included in the "Others" segment, have been reclassified into the "Alcohol beverages" segment as these businesses are managed as ancillary businesses closely connected with the alcohol beverages business.

(Additional Information)

In 2009, as discussed in Note 2 (6), the Company has applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 of July 5 2006) from the current fiscal year end. The effect of this change in accounting method was to decrease operating income by ¥869 million ($9,435 thousand) in Alcohol Beverages business and by ¥846 million ($9,185 thousand) in Soft Drinks and Foods business, respectively, compared with what would have been recorded under the previous method.

In line with a revision of the Corporation Tax Law in 2008, from the year ended December 31, 2009, the Company and its consolidated subsidiaries in Japan have changed their estimates for the useful lives of part of machinery. The effect of this change in accounting method was to decrease operating income by ¥5,346 million ($58,045 thousand) in Alcohol Beverages business and by ¥2 million ($21 thousand) in Elimination or Corporate, respectively, and to increase operating income by ¥35 million ($380 thousand) in Soft Drinks and Foods business, by ¥8 million ($86 thousand) in Other businesses, respectively, compared with what would have been recorded under the previous method.

In 2008, as discussed in Note 2 (8), due to the revision of the Corporation Tax Law, for property, plant and equipment acquired on or before March 31, 2007, and whose book values have been reduced to 5% of the acquisition price by a depreciation method based on the pre-revision Corporation Tax Law, the difference between the equivalent of 5% of acquisition price and memorandum price is depreciated in equal amounts over the five-year period beginning with the year following the year when the book value reached 5%. However, the Company and certain consolidated subsidiaries adopt this method for property, plants and equipment acquired on or before June 30, 2007. The effect of this change in accounting method was to increase operating expenses by ¥1,469 million in Alcohol Beverages business, by ¥395 million in Soft Drinks and Foods business, by ¥172 million in Pharmaceuticals business, by ¥143 million in Other businesses, and by ¥82 million in Eliminations or Corporate, and to decrease operating income by the same amounts, respectively, compared with what would have been recorded under the previous method.

(b) Geographical segment information

	Year ended December 31, 2009					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	**¥1,759,670**	**¥443,835**	**¥74,967**	**¥2,278,473**	**¥ -**	**¥2,278,473**
Less liquor taxes	**358,437**	**1,237**	**67**	**359,743**	**-**	**359,743**
Net sales	**1,401,233**	**442,597**	**74,900**	**1,918,730**	**-**	**1,918,730**
Inter-segment	**26,020**	**3,596**	**8,283**	**37,900**	**(37,900)**	**-**
Total sales	**1,427,253**	**446,193**	**83,183**	**1,956,631**	**(37,900)**	**1,918,730**
Operating expenses	**1,318,135**	**415,142**	**75,892**	**1,809,172**	**(18,874)**	**1,790,295**
Operating income	**¥109,118**	**¥31,051**	**¥7,291**	**¥147,461**	**¥(19,025)**	**¥128,435**
2. Assets	**¥1,613,391**	**¥998,601**	**¥155,536**	**¥2,767,529**	**¥93,665**	**¥2,861,194**

	Year ended December 31, 2009					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Thousands of U.S. dollars) (Note 1)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	**$19,106,080**	**$4,819,055**	**$813,973**	**$24,739,120**	**$ -**	**$24,739,120**
Less liquor taxes	**3,891,824**	**13,431**	**727**	**3,906,004**	**-**	**3,906,004**
Net sales	**15,214,256**	**4,805,613**	**813,246**	**20,833,116**	**-**	**20,833,116**
Inter-segment	**282,519**	**39,044**	**89,934**	**411,509**	**(411,509)**	**-**
Total sales	**15,496,775**	**4,844,657**	**903,181**	**21,244,636**	**(411,509)**	**20,833,116**
Operating expenses	**14,311,997**	**4,507,513**	**824,017**	**19,643,561**	**(204,929)**	**19,438,599**
Operating income	**$1,184,777**	**$337,144**	**$79,163**	**$1,601,096**	**$(206,568)**	**$1,394,516**
2. Assets	**$17,517,817**	**$10,842,573**	**$1,688,773**	**$30,049,174**	**$1,016,992**	**$31,066,167**

	Year ended December 31, 2008					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	¥1,787,875	¥438,097	¥77,596	¥2,303,569	¥ -	¥2,303,569
Less liquor taxes	379,136	1,474	80	380,691	-	380,691
Net sales	1,408,738	436,622	77,515	1,922,877	-	1,922,877
Inter-segment	20,332	3,726	7,781	31,840	(31,840)	-
Total sales	1,429,071	440,349	85,297	1,954,718	(31,840)	1,922,877
Operating expenses	1,309,454	404,589	77,347	1,791,391	(14,491)	1,776,900
Operating income	¥119,616	¥35,760	¥7,949	¥163,326	¥(17,349)	¥145,977
2. Assets	¥1,659,115	¥632,128	¥174,351	¥2,465,594	¥154,029	¥2,619,623

	Year ended December 31, 2007					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	¥1,528,876	¥210,621	¥61,666	¥1,801,164	¥ -	¥1,801,164
Less liquor taxes	398,665	1,781	109	400,555	-	400,555
Net sales	1,130,211	208,840	61,556	1,400,608	-	1,400,608
Inter-segment	3,988	2,116	4,765	10,870	(10,870)	-
Total sales	1,134,199	210,956	66,322	1,411,478	(10,870)	1,400,608
Operating expenses	1,043,837	175,073	60,319	1,279,230	769	1,280,000
Operating income	¥90,362	¥35,882	¥6,002	¥132,247	¥(11,639)	¥120,608
2. Assets	¥1,075,143	¥699,575	¥219,203	¥1,993,922	¥475,745	¥2,469,667

Geographical distances are considered in classification by country or area. Major countries or areas included in each segment except for Japan are as follows:

Asia, Oceania	East Asia, Southeast Asia, Oceania
Others	U.S.A., Europe

Amounts and major items included in “Eliminations or Corporate” are the same as those described in (a) Business segment information.

(Additional Information)

In 2009, as discussed in Note 2 (6), the Company has applied the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 of July 5 2006) from the current fiscal year end. The effect of this change in accounting method was to decrease operating income by ¥1,715 million ($18,621 thousand) in Japan, compared with what would have been recorded under the previous method. There was no effect on the operating income of other segments.
In line with a revision of the Corporation Tax Law in 2008, from the year ended December 31, 2009, the Company and its consolidated subsidiaries in Japan have changed their estimates for the useful lives of part of machinery. The effect of this change in accounting method was to decrease operating income by ¥5,302 million ($57,567 thousand) in Japan and by ¥2 million ($21 thousand) in Elimination or Corporate, respectively, compared with what would have been recorded under the previous method.
There was no effect on the operating income of other segments.

In 2008, as discussed in Note 2 (8), due to the revision of the Corporation Tax Law, for property, plant and equipment acquired on or before March 31, 2007, and whose book values have been reduced to 5% of the acquisition price by a depreciation method based on the pre-revision Corporation Tax Law, the difference between the equivalent of 5% of acquisition price and memorandum price is depreciated in equal amounts over the five-year period beginning with the year following the year when the book value reached 5%. However, the Company and certain consolidated subsidiaries adopt this method for property, plants and equipment acquired on or before June 30, 2007. The effect of this change in accounting method was to increase operating expenses of “Japan” by ¥2,263 million, and was to decrease operating income by the same amount, compared with what would have been recorded under the previous method. There was no effect on the operating income of other segments.

(c) Overseas sales

	Year ended December 31, 2009		
	Asia / Oceania	Others	Total
		(Millions of yen)	
Overseas sales, net of liquor taxes	**¥467,644**	**¥94,996**	**¥562,640**
Consolidated sales, net of liquor taxes	-	-	**1,918,730**
Percentage of overseas sales over consolidated sales	**24.4%**	**5.0%**	**29.3%**

	Year ended December 31, 2008		
	Asia / Oceania	Others	Total
		(Millions of yen)	
Overseas sales, net of liquor taxes	¥464,130	¥107,110	¥571,240
Consolidated sales, net of liquor taxes	-	-	1,922,877
Percentage of overseas sales over consolidated sales	24.1%	5.6%	29.7%

	Year ended December 31, 2007		
	Asia / Oceania	Others	Total
		(Millions of yen)	
Overseas sales, net of liquor taxes	¥217,369	¥64,964	¥282,333
Consolidated sales, net of liquor taxes	-	-	1,400,608
Percentage of overseas sales over consolidated sales	15.5%	4.6%	20.2%

	Year ended December 31, 2009		
	Asia / Oceania	Others	Total
		(Thousands of U.S. dollars) (Note 1)	
Overseas sales, net of liquor taxes	**$5,077,567**	**$1,031,444**	**$6,109,011**
Consolidated sales, net of liquor taxes	-		**20,833,116**

Geographical distances are considered in classification of country or area. Major countries or areas included in each segment are as follows:

Asia, Oceania	East Asia, Southeast Asia, Oceania
Others	U.S.A., Europe

Overseas sales represent sales of the Company and consolidated subsidiaries to countries and areas outside of Japan.

20. LEASE TRANSACTIONS

(a) Lessee lease – Finance lease

Finance leases, except for those leases under which the ownership of the leased assets is considered to be transferred to the lessee, whose inception dates were on or before December 31, 2008, are accounted for in the same manner as operating leases. The details are disclosed as follows:

(1) Purchase price equivalents, accumulated depreciation equivalents and book value equivalents of leased properties

	Year ended December 31,		Year ended December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Machinery, equipment and vehicles:			
Purchase price equivalents	**¥ 1,908**	¥2,690	**$20,716**
Accumulated depreciation equivalents	**1,205**	1,571	**13,083**
Book value equivalents	**702**	1,118	**7,622**
Other property, plant and equipment (tools and equipment):			
Purchase price equivalents	**5,795**	7,440	**62,920**
Accumulated depreciation equivalents	**3,179**	3,465	**34,516**
Book value equivalents	**2,615**	3,974	**28,393**
Other intangible assets:			
Purchase price equivalents	**1,890**	1,958	**20,521**
Accumulated depreciation equivalents	**516**	200	**5,602**
Book value equivalents	**1,374**	1,757	**14,918**
Total			
Purchase price equivalents	**9,593**	12,089	**104,158**
Accumulated depreciation equivalents	**4,900**	5,237	**53,203**
Book value equivalents	**¥ 4,692**	¥6,851	**$50,944**

(Note) Some consolidated subsidiaries calculated purchase price equivalents based on the inclusive-of-interest method.

(2) Lease commitments

	Year ended December 31,		Year ended December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Due within one year	**¥1,741**	¥2,149	**$18,903**
Due over one year	**3,133**	4,857	**34,017**
Total	**¥4,875**	¥7,007	**$52,931**

(Note) Some consolidated subsidiaries calculated lease commitments based on the inclusive-of-interest method.

(3) Lease expenses, depreciation equivalents and interest expense equivalents

	Year ended December 31,			Year ended December 31,
	2009	2008	2007	**2009**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Lease expenses	**¥2,182**	¥2,301	¥1,723	**$23,691**
Depreciation equivalents	**1,893**	2,102	1,575	**20,553**
Interest expense equivalents	**¥143**	¥123	¥78	**$1,552**

(4) Calculation method of depreciation equivalents

Depreciation equivalents are calculated on the straight-line method over the lease terms without residual value.

(5) Allocation of interest expense equivalents

Differences between total lease expenses and purchase price equivalents of the leased properties comprise interest expense equivalents and insurance, maintenance and certain other operating costs. Interest expense equivalents are allocated using the interest method over the lease terms.

(b) Lessee lease - Operating lease

The Company and consolidated subsidiaries have lease commitments under non-cancelable operating leases as follows.

	December 31,		December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
(As a lessee)			
Due within one year	**¥5,131**	¥4,858	**$55,711**
Due over one year	**26,194**	16,067	**284,408**
Total	**¥31,325**	¥20,926	**$340,119**
(As a lessor)			
Due within one year	**¥223**	-	**$2,421**
Due over one year	**3,526**	-	**38,284**
Total	**¥3,749**	-	**$40,705**

21. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates at December 31, 2009 and 2008* were as follows:

	Year ended December 31,		Year ended December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Investment securities (Capital stock)	**¥182,904**	¥151,544	**$1,985,928**
Investments and other assets—other (Other than capital stock)	**2,398**	2,375	**$26,036**

*Figures for 2009 and 2008 include the cost of investment in jointly-controlled companies, amounting to ¥29,934 million ($325,016 thousand) and ¥31,070 million, respectively.

22. NET ASSETS

Under the Japanese Corporation Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

23. NOTES TO THE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The consolidated statements of changes in net assets for the year ended December 31, 2009 is as follows:

1. Type and number of shares outstanding and treasury stock

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of December 31, 2008	984,508,387	30,157,914
Number of shares increased during the accounting period ended December 31, 2009	-	1,214,018
Number of shares decreased during the accounting period ended December 31, 2009	-	204,697
Number of shares as of December 31, 2009	984,508,387	31,167,235

Notes:
1. Increase in the number of shares was due to purchases of partial share units.
2. Decrease in the number of shares was due to sales of partial share units.

2. Subscription rights to shares and treasury subscription rights to shares

Description of subscription rights	Subscription rights as stock options
Type of shares for subscription rights	-
Number of shares for subscription rights	
Number of shares as of December 31, 2008	-
Number of shares increased during the accounting period ended December 31, 2009	-
Number of shares decreased during the accounting period ended December 31, 2009	-
Number of shares as of December 31, 2009	-
Amount outstanding as of December 31, 2009	¥196 million ($2,128 thousands)

3. Matters related to dividends

(1) Dividend payment
Approvals by ordinary general meeting of shareholders held on March 26, 2009 were as follows:
Dividend on Common stock

a. Total amount of dividend	¥10,975 million ($119,163 thousand)
b. Dividend per share	¥11.50
c. Record date	December 31, 2008
d. Effective date	March 27, 2009

Approvals by the Board of Directors meeting on August 6, 2009 were as follows:
Dividend on Common stock

a. Total amount of dividend	¥10,973 million ($119,142 thousand)
b. Dividend per share	¥11.50
c. Record date	June 30, 2009
d. Effective date	September 7, 2009

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2009 but to be effective after the said accounting period.
The Company received approval at the general meeting of shareholders held on March 26, 2010 as follows:
Dividend on Common stock

a. Total amount of dividend	¥10,963 million ($119,033 thousand)
b. Funds for dividend	Retained earnings
c. Dividend per share	¥11.50
d. Record date	December 31, 2009
e. Effective date	March 29, 2010

The consolidated statements of changes in net assets for the year ended December 31, 2008 is as follows:

1. Type and number of shares outstanding and treasury stock

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of December 31, 2007	984,508,387	29,779,060
Number of shares increased during the accounting period ended December 31, 2008	-	883,269
Number of shares decreased during the accounting period ended December 31, 2008	-	504,415
Number of shares as of December 31, 2008	984,508,387	30,157,914

Notes:

1. Increase in the number of shares was due to purchases of partial share units.
2. Decrease in the number of shares was due to sales of partial share units.

2. Subscription rights to shares and treasury subscription rights to shares

Description of subscription rights	Subscription rights as stock options
Type of shares for subscription rights	-
Number of shares for subscription rights	
Number of shares as of December 31, 2007	-
Number of shares increased during the accounting period ended December 31, 2008	-
Number of shares decreased during the accounting period ended December 31, 2008	-
Number of shares as of December 31, 2008	-
Amount outstanding as of December 31, 2008	¥162 million

3. Matters related to dividends

(1) Dividend payment
Approvals by ordinary general meeting of shareholders held on March 26, 2008 were as follows:
Dividend on Common stock

a. Total amount of dividend	¥11,456 million
b. Dividend per share	¥12.00
c. Record date	December 31, 2007
d. Effective date	March 27, 2008

Approvals by the Board of Directors meeting on August 4, 2008 were as follows:
Dividend on Common stock

a. Total amount of dividend	¥10,975 million
b. Dividend per share	¥11.50
c. Record date	June 30, 2008
d. Effective date	September 8, 2008

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2008 but to be effective after the said accounting period.
Approvals by ordinary general meeting of shareholders held on March 26, 2009 were as follows:
Dividend on Common stock

a. Total amount of dividend	¥10,975 million
b. Funds for dividend	Retained earnings
c. Dividend per share	¥11.50
d. Record date	December 31, 2008
e. Effective date	March 27, 2009

24. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash
Reconciliation of cash in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows is as follows:

	December 31,			December 31,
	2009	2008	2007	**2009**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Cash	**¥125,558**	¥72,662	¥55,009	**$1,363,279**
Marketable securities	**128**	762	246	**1,389**
Fixed term deposits over 3 months	**(6,672)**	(4,204)	(2,550)	**(72,442)**
Equity securities and bonds, etc. with maturities exceeding 3 months	**(128)**	(762)	(246)	**(1,389)**
Short-term loans payable (bank overdraft)	**(87)**	-	(150)	**(944)**
Cash and cash equivalents	**¥118,797**	¥68,457	¥52,307	**$1,289,869**

(b) Assets and liabilities of subsidiaries excluded from the scope of consolidation

Assets and liabilities of subsidiaries at the time they were excluded from the scope of consolidation, related sale price of shares and proceeds (net) from sale of shares are as follows:

	December 31,			December 31,
	2009	2008	2007	**2009**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Current assets	**¥2,796**	¥ -	¥ -	**$30,358**
Fixed assets	**5,927**	-	-	**64,353**
Current liabilities	**(1,095)**	-	-	**(11,889)**
Long-term liabilities	**(716)**	-	-	**(7,774)**
Valuation difference on available-for-sale securities	**(15)**	-	-	**(162)**
Foreign currency translation adjustments	**548**	-	-	**5,950**
Net gain on sale of shares, etc.	**346**	-	-	**3,756**
Sales price of shares	**7,791**	-	-	**84,592**
Cash and cash equivalents of the company excluded from the scope of consolidation	**(1,729)**	-	-	**(18,773)**
Proceeds from sales of shares of subsidiaries excluded from the scope of consolidation	**¥6,061**	¥ -	¥ -	**$65,808**

(c) Assets and liabilities of newly consolidated subsidiaries by acquisition of shares

Assets and liabilities of newly consolidated subsidiaries by acquisition of shares at the inception of their consolidation, related acquisition cost and net expenditure for acquisition of shares are as follows:

	December 31,			December 31,
	2009	2008	2007	**2009**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Current assets	**¥ -**	¥23,268	¥55,244	**$ -**
Fixed assets	-	31,285	109,453	-
Goodwill	-	51,907	164,271	-
Current liabilities	-	(16,125)	(247,001)	-
Long-term liabilities	-	(15,978)	(4,752)	-
Minority interests	-	(46)	(249)	-
Acquisition cost of shares	-	74,311	76,965	-
Payment during the previous year	-	-	-	-
Accounts payable	-	(319)	(960)	-
Cash and cash equivalents of the acquired companies	-	(585)	(5,414)	-
Payment for acquisition of shares of newly consolidated subsidiaries	**¥ -**	¥73,407	¥70,589	**$ -**

As of December 31, 2007, current liabilities include short-term loans of ¥150,284 million payable to consolidated subsidiaries.

(d) Significant Noncash Transaction

Assets and liabilities of former Kyowa Hakko Kogyo Co., Ltd. at the time it was included in the scope of consolidation due to additional acquisition of shares are as follows:

	December 31,			December 31,
	2009	2008	2007	**2009**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Current assets	**¥ -**	¥235,695	¥ -	**$ -**
Fixed assets	-	225,788	-	-
Goodwill	-	128,868	-	-
Total assets	-	590,352	-	-
Current liabilities	-	117,957	-	-
Long-term liabilities	-	53,964	-	-
Total liabilities	**¥ -**	¥171,922	¥ -	**$ -**

As of December 31, 2008, current assets include cash and cash equivalents of ¥43,740 million ($480,500 thousand) at the inception of consolidation, which is included in "Net increase (decrease) in cash and cash equivalents from new consolidation/de-consolidation of subsidiaries."

25. DEFERRED INCOME TAXES

Significant components of deferred tax assets and liabilities as of December 31, 2009 and 2008 were as follows:

	December 31,		December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Deferred tax assets:			
Employees' pension and retirement benefits	**¥34,891**	¥33,177	**$378,838**
Depreciation	**24,677**	13,884	**267,937**
Loss carried forward	**17,951**	16,138	**194,907**
Loss on impairment of fixed assets	**14,892**	6,675	**161,693**
Deemed dividend	**9,520**	9,520	**103,365**
Deferred charges	**5,767**	6,821	**62,616**
Foreign currency translation loss of foreign subsidiaries	**-**	6,585	**-**
Unrealized gain on fixed assets	**-**	-	**-**
Other	**76,253**	71,367	**827,937**
Sub-total	**183,953**	164,172	**1,997,318**
Less valuation allowance	**(45,504)**	(51,293)	**(494,071)**
Total deferred tax assets	**138,449**	112,879	**1,503,246**
Deferred tax liabilities:			
Adjustment of book value based on fair value	**(26,697)**	(29,973)	**(289,869)**
Net unrealized holding gains on securities	**(17,610)**	(32,121)	**(191,205)**
Depreciation of foreign subsidiaries	**(15,151)**	(16,145)	**(164,505)**
Reserve for deferred gains on sale of property	**(12,740)**	(12,695)	**(138,327)**
Prepaid pension cost	**(5,699)**	(7,093)	**(61,878)**
Temporary differences related to investments to consolidated subsidiaries	**-**	(5,495)	**-**
Other	**(10,346)**	(7,602)	**(112,334)**
Total deferred tax liabilities	**(88,247)**	(111,126)	**(958,165)**
Net deferred tax liabilities	**50,202**	1,752	**545,081**
Deferred tax asset due to land revaluation:			
Deferred tax asset due to land revaluation	**617**	617	**6,699**
Less valuation allowance	**(617)**	(617)	**(6,699)**
Total deferred tax asset due to land revaluation	**-**	-	**-**
Deferred tax liability due to land revaluation:			
Deferred tax liability due to land revaluation	**(1,471)**	(1,471)	**(15,971)**
Net deferred tax liability due to land revaluation	**¥(1,471)**	¥(1,471)	**$(15,971)**

Deferred tax assets and liabilities were included in the consolidated balance sheets as of December 31, 2009 and 2008 as follows:

	December 31,		December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Current assets — Deferred tax assets	**¥24,146**	¥22,991	**$262,171**
Fixed assets — Deferred tax assets	**59,096**	34,700	**641,650**
Current liabilities — Other	**(957)**	(158)	**(10,390)**
Long-term liabilities — Deferred tax liabilities	**(32,083)**	(55,780)	**(348,349)**

The following table summarizes significant differences between the statutory tax rate and the effective tax rate for the year ended December 31, 2009:

	2009
	(%)
Statutory tax rate	**40.7**
(Adjustments)	
Permanent difference - expenses	**4.0**
Dividend received from foreign subsidiaries eliminated in consolidation	**9.7**
Amortization of intangible assets	**13.3**
Valuation allowance	**(9.9)**
Equity in earnings of affiliates	**(3.9)**
Difference in tax rate between the Company and consolidated subsidiaries	**(7.6)**
Retained earning of foreign subsidiaries	**(6.7)**
Tax credit	**(6.8)**
Others	**(1.6)**
Effective tax rate	**31.2**

The description of significant differences between the statutory tax rate and the effective tax rate for the years ended December 31, 2008 and 2007 is omitted because the difference between the statutory tax rate and the effective tax rate is less than 5% of the statutory tax rate.

26. DERIVATIVE TRANSACTIONS

Derivative financial instruments currently utilized by the Company and consolidated subsidiaries include foreign exchange forward contracts, currency option contracts, currency swap contracts, forward rate agreements, interest rate option contracts, interest rate swap contracts, commodity swap contracts, commodity option contracts, commodity futures contracts and stock forward contracts.

Interest rate derivatives such as forward rate agreements, interest rate option and interest rate swap are utilized to hedge fluctuation risk of interest rates with respect to loans receivable and loans payable.
Currency derivatives such as foreign exchange forward contracts, currency options and currency swaps are utilized to hedge fluctuation risk of foreign currency exchange rates with respect to receivables and payables from import transactions of raw materials and others and receivables and payables and others in foreign currencies.
Commodity derivatives such as commodity swaps, commodity options and commodity futures are utilized to hedge fluctuation risk of the price of raw materials and others on purchase transactions.
In 2009, stock forward contracts are utilized to hedge fluctuation risk of the price of stocks held.

The Company and consolidated subsidiaries do not enter into derivative contracts for speculative purposes. The Company and consolidated subsidiaries evaluate hedging effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items with corresponding changes in the hedging instruments.

The derivatives contracts utilized by the Company and consolidated subsidiaries are exposed to the fluctuation risks of market interest rates, foreign currency exchange rates, the price of raw materials and others, and the price of stocks. However, the credit risks associated with these derivatives are considered low because the counter parties of these derivative contracts are prime financial institutions with high credit standing and therefore it is anticipated that those counter parties are able to fully satisfy their obligations under the contracts.

The administration and control of these derivative transactions are in accordance with the "Accounting Policies" authorized at the management meeting of the Company or by the board of directors of consolidated subsidiaries.

The size of the amount of the derivative contracts does not necessarily indicate the significance of the risk.

The fair value of the derivative contracts utilized by the Company and consolidated subsidiaries was as follows:

Currency-related transactions

		Year ended December 31, 2009							
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
Non-market transactions	Foreign exchange forward contracts								
	Sell								
	US dollar	**¥3,280**	¥ -	**¥3,345**	**¥(64)**	**$35,613**	$ -	**$36,319**	**$(694)**
	Euro	**1,930**	-	**1,924**	**6**	**20,955**	-	**20,890**	**65**
	Australian dollar	**11,704**	-	**12,225**	**(521)**	**127,079**	-	**132,736**	**(5,656)**
	Yen	**54**	**-**	**54**	**0**	**586**	**-**	**586**	**0**
	Currency swap								
	Receive yen pay Australian dollar	**61,047**	-	**7,098**	**7,098**	**662,833**	-	**77,068**	**77,068**
	Receive yen pay US dollar	**3,991**	-	**(151)**	**(151)**	**43,333**	-	**(1,639)**	**(1,639)**
Total		**¥82,009**	¥ -	**¥24,497**	**¥ 6,367**	**$890,434**	$ -	**$265,993**	**$69,131**

		Year ended December 31, 2008			
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		(Millions of yen)			
Non-market transactions	Foreign exchange forward contracts				
	Sell				
	US dollar	¥2,231	¥ -	¥2,080	¥151
	Euro	2,386	-	2,388	(1)
	Yen	262	-	313	(50)
	Currency swap				
	Receive yen pay Australian dollar	73,887	61,047	23,541	23,541
	Receive yen pay US dollar	4,072	-	(5)	(5)
Total		¥82,841	¥61,047	¥28,317	¥23,635

(i) Fair value is based on the prices obtained from forward exchange market or financial institutions.
(ii) Derivative transactions utilized by the Company and consolidated subsidiaries other than the above are treated under hedge accounting rules, and are not included in the above.

Interest-related transactions

		Year ended December 31, 2009							
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
Non-market transactions	Interest rate swap								
	Receive fixed, pay floating	**¥968**	**¥968**	**¥39**	**¥39**	**$10,510**	**$10,510**	**$423**	**$423**
	Receive floating, pay fixed	**968**	**968**	**(52)**	**(52)**	**10,510**	**10,510**	**(564)**	**(564)**
	Interest rate cap								
	Buy	**1,579**	-	0	0	**17,144**	-	**0**	**0**
	Interest rate floor								
	Sell	**1,579**	-	**18**	**18**	**17,144**	-	**195**	**195**
Total		**¥5,095**	**¥1,936**	**¥5**	**¥5**	**$55,320**	**$21,020**	**$54**	**$54**

		Year ended December 31, 2008			
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		(Millions of yen)			
Non-market transactions	Interest rate swap				
	Receive fixed, pay floating	¥1,041	¥1,041	¥(10)	¥(10)
	Receive floating, pay fixed	1,041	1,041	(9)	(9)
	Receive floating, pay floating	2,000	-	2	2
	Interest rate cap				
	Buy	14,179	1,657	6	6
	Interest rate floor				
	Sell	26,701	1,657	(693)	(693)
	Buy	12,522	-	255	255
Total		¥57,486	¥5,398	¥(448)	¥(448)

(i) Fair value of swaps is based on the prices obtained from the financial institutions.
(ii) Derivative transactions utilized by the Company and consolidated subsidiaries other than the above are treated under hedge accounting rules, and are not included in the above.
(iii) The notional amounts of derivatives shown in the above do not reflect the market risk exposure of the Company and consolidated subsidiaries.

Stock-related transactions

		Year ended December 31, 2009							
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
Non-market transactions	Stock forward contracts								
	Buy	**¥15,726**	**¥ -**	**¥(514)**	**¥(514)**	**$170,749**	**$ -**	**$(5,580)**	**$(5,580)**
Total		**¥15,726**	**¥ -**	**¥(514)**	**¥(514)**	**$170,749**	**$**	**$(5,580)**	**$(5,580)**

(i) Fair value is based on the prices obtained from financial institutions.

27. EMPLOYEES' PENSION AND RETIREMENT BENEFITS

The Company and consolidated domestic subsidiaries provide four types of contributory defined benefit plans, namely: the lump-sum severance payment plan; the defined benefit corporate pension plan; the employees' pension fund plan; and the tax-qualified pension plan. The Company and several consolidated subsidiaries provide defined contribution plans and/or defined benefit plans. Extra payments may be added upon retirement of employees.

(a) Liabilities for employees' pension and retirement benefits

The liabilities for employees' pension and retirement benefits included in the liability section of the consolidated balance sheets as of December 31, 2009 and 2008 consisted of the following:

	December 31,		December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Projected benefit obligation	**¥(318,392)**	¥(313,911)	**$(3,457,024)**
Fair value of plan assets	**192,180**	177,442	**2,086,644**
Unfunded pension obligation	**(126,211)**	(136,468)	**(1,370,369)**
Unrecognized actuarial differences	**56,268**	73,132	**610,944**
Unrecognized prior service cost (deduction of obligation)	**(3,284)**	(3,693)	**(35,656)**
Net of employees' pension and retirement benefit obligation	**(73,227)**	(67,030)	**(795,081)**
Prepaid pension cost	**12,051**	15,674	**130,846**
Employees' pension and retirement benefits	**¥(85,279)**	¥(82,704)	**$(925,939)**

A number of consolidated subsidiaries calculated projected benefit obligations using the simplified method.

(b) Employees' pension and retirement benefits expenses

Included in the consolidated statements of income for the years ended December 31, 2009, 2008 and 2007 were employees' pension and retirement benefit expenses comprising the following:

	December 31,			December 31,
	2009	2008	2007	**2009**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Service cost	**¥12,169**	¥10,428	¥7,930	**$132,128**
Interest cost	**7,435**	7,048	5,770	**80,727**
Expected return on plan assets	**(4,729)**	(5,329)	(4,471)	**(51,346)**
Amortization of actuarial differences	**9,452**	4,423	3,438	**102,627**
Amortization of prior service cost	**(447)**	(442)	(439)	**(4,853)**
Premium for defined contribution pension plan	**1,234**	2,515	2,343	**13,398**
Employees' pension and retirement benefit expenses	**25,115**	18,643	14,572	**272,692**
Total	**¥25,115**	¥18,643	¥14,572	**$272,692**

Employees' contribution to the defined benefit corporate pension plan and others is excluded for the years ended December 31, 2009, 2008 and 2007. Employees' pension and retirement benefit expenses of consolidated subsidiaries using the simplified method are included for the years ended December 31, 2009, 2008 and 2007.

In addition to the above employees' pension and retirement benefit expenses, premium on employees' retirement benefits was recognized as "Business restructuring expense" in special expenses, amounting to ¥ 1,363 million ($14,799 thousand) and ¥3,208 million for the year ended December 31, 2009 and 2008, respectively, and as "Loss on liquidation of business" in special expenses, amounting to ¥799 million for the year ended December 31, 2008. For the years ended December 31, 2007 such premium was recognized and included in "Business restructuring expense" in special expense, amounting to ¥28 million.

Assumptions used for the years ended December 31, 2009, 2008 and 2007 were set forth as follows:

	December 31,		
	2009	2008	2007
Discount rate	**Mainly 2.5%**	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	**Mainly 2.5%**	Mainly 2.5%	Mainly 2.5%
Amortization of unrecognized prior service cost	**Mainly 5-15 years**	Mainly 5-15 years	Mainly 13-15 years
Amortization of unrecognized actuarial differences	**Mainly 10-15 years**	Mainly 10-15 years	Mainly 13-15 years

The estimated amount of all retirement benefits to be paid at the future retirement dates is allocated equally to each service year using the estimated number of total service years.

28. STOCK OPTIONS

For the year ended December 31, 2009

1. The amount and account title related to the stock option plans for the year ended December 31, 2009
   Selling, general and administrative expenses ¥104 million ($1,129 thousand)

2. The stock options outstanding as of December 31, 2009 are as follows.

Consolidated Subsidiary (Kyowa Hakko Kirin Co., Ltd.)

Stock Option	Grantees' Position	Number of Options Granted	Date of Grant	Exercise Price
2005 Stock Option	6 directors 13 managing officers	Common stock 133,000 shares	June 28, 2005	¥1 ($0.010)
2006 Stock Option	7 directors 11 managing officers	Common stock 111,000 shares	June 29, 2006	¥1 ($0.010)
2007 Stock Option	5 directors 13 managing officers	Common stock 92,000 shares	June 21, 2007	¥1 ($0.010)
2008 Stock Option	6 directors 14 managing officers	Common stock 91,000 shares	June 25, 2008	¥1 ($0.010)
2009 Stock Option	6 directors 8 managing officers	Common stock 93,000 shares	June 26, 2009	¥1 ($0.010)

Stock Option	Vesting condition	Applicable period of service	Exercisable period
2005 Stock Option	No provisions	No provisions	June 29, 2005 - June 28, 2025
2006 Stock Option	No provisions	No provisions	June 30, 2006 - June 28, 2026
2007 Stock Option	No provisions	No provisions	June 22, 2007 - June 20, 2027
2008 Stock Option	No provisions	No provisions	June 26, 2008 - June 24, 2028
2009 Stock Option	No provisions	No provisions	June 27, 2009 - June 25, 2029

(Note) Number of subscription rights to shares is expressed in number of shares to be issued upon exercise.

Scale and movement of stock options
The following tables are based on the stock options which existed as of December 31, 2009. Number of stock options is expressed in number of shares to be issued upon exercise.

Number of Stock Options

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested					
December 31, 2008-Outstanding	-	-	-	-	-
Granted	-	-	-	-	93,000
Forfeited	-	-	-	-	-
Vested	-	-	-	-	93,000
December 31, 2009-Outstanding	-	-	-	-	-
Vested					
December 31, 2008-Outstanding	61,000	58,000	61,000	82,000	-
Vested	-	-	-	-	93,000
Exercised	21,000	19,000	24,000	29,000	-
Forfeited	-	-	-	-	-
December 31, 2009-Outstanding	40,000	39,000	37,000	53,000	93,000

3. The price information of stock options as of December 31, 2009

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option
Exercise price (yen)	1	1	1	1	1
Average market price of the stock at the time of exercise (yen)	984	988	1,011	982	-
Fair valuation price (date of grant) (yen)	-	705	1,140	1,038	1,014

4. Method of estimating the fair value of stock options

The fair value of the 2009 Stock Option is estimated using the Black-Scholes model. The following assumptions were used to determine the fair value.

Share price variability (Note 1)	8.8%
Projected remaining period (Note 2)	3 years
Projected dividend (Note 3)	¥20 per share
Risk-free interest rate (Note 4)	0.52%

(Notes) 1. Calculated based on share price results over two years (from June 2006 to May 2009).

2. Calculated by subtracting the average years of service of present office holders from the average years of service of retirees over the past five years.

3. Kyowa Hakko Kirin's fiscal year ended December 31, 2009 is for 9 months period due to the change of fiscal year end. Thus, the projected dividend for December 31, 2009, in the amount of ¥15 per share, is annualized to obtain the above projected dividend.

4. The rate of return on government bonds over the projected remaining period.

5. The method reflecting actual expirations is used because reasonable estimations of the future expirations are difficult.

For the year ended December 31, 2008

1. The amount and account title related to the stock option plans for the year ended December 31, 2008.
   Selling, general and administrative expenses ¥68 million.

2. The stock options outstanding as of December 31, 2008 are as follows.

Consolidated Subsidiary (Kyowa Hakko Kirin Co., Ltd.)

Stock Option	Grantees' Position	Number of Options Granted	Date of Grant	Exercise Price
2005 Stock Option	6 directors 13 managing officers	Common stock 133,000 shares	June 28, 2005	¥1
2006 Stock Option	7 directors 11 managing officers	Common stock 111,000 shares	June 29, 2006	¥1
2007 Stock Option	5 directors 13 managing officers	Common stock 92,000 shares	June 20, 2007	¥1
2008 Stock Option	6 directors 14 managing officers	Common stock 91,000 shares	June 25, 2008	¥1

Stock Option	Vesting condition	Applicable period of service	Exercisable period
2005 Stock Option	No provisions	No provisions	June 29, 2005 - June28, 2025
2006 Stock Option	No provisions	No provisions	June30, 2006 - June28, 2026
2007 Stock Option	No provisions	No provisions	June22, 2007 - June20, 2027
2008 Stock Option	No provisions	No provisions	June26, 2008 - June24, 2028

(Note) Number of subscription rights to shares is expressed in number of shares to be issued upon exercise.

Scale and movement of stock options

The following tables are based on the stock options which existed as of December 31, 2008. Number of stock options is expressed in number of shares to be issued upon exercise.

Number of Stock Options

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested				
December 31, 2007-Outstanding	-	-	-	-
Granted	-	-	-	91,000
Forfeited	-	-	-	-
Vested	-	-	-	91,000
December 31, 2008-Outstanding	-	-	-	-
Vested				
December 31, 2007-Outstanding	81,000	83,000	92,000	-
Vested	-	-	-	91,000
Exercised	20,000	25,000	31,000	9,000
Forfeited	-	-	-	-
December 31, 2008-Outstanding	61,000	58,000	61,000	82,000

(Note) The above table refers to activity on or after April 1, 2008, when former Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.) became a consolidated subsidiary of the Company. Therefore, the number of shares of "December 31, 2007-Outstanding" represents shares outstanding at April 1, 2008.

3. The price information of stock options as of December 31, 2008

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option
Exercise price (yen)	1	1	1	1
Average market price of the stock at the time of exercise (yen)	1,112	1,095	1,077	1,146
Fair valuation price (date of grant) (yen)	-	705	1,140	1,038

4. Method of estimating the fair value of stock options

The fair value of the 2008 Stock Option is estimated using the Black-Scholes model. The following assumptions were used to determine the fair value.

Share price variability (Note 1)	5.8%
Projected remaining period (Note 2)	2 years
Projected dividends (Note 3)	¥20 per share
Risk-free interest rate (Note 4)	0.42%

(Notes) 1. Calculated based on share price results over two years (from June 2006 to May 2008).
2. Calculated by subtracting the average years of service of present office holders from the average years of service of retirees over the past five years.
3. Based on dividends for the year ended March 31, 2009 for Kyowa Hakko Kirin.
4. The rate of return on government bonds over the projected remaining period.

5. The method reflecting actual expirations is used because reasonable estimations of the future expirations are difficult.

29. REVALUATION OF LAND

Kirin Beverage Co., Ltd., a consolidated subsidiary, revalued land used for business on December 31, 2001 pursuant to the Law Concerning Land Revaluation (enacted on March 31, 1998) (the "Law") and related revision of the Law (effective March 31, 2001).
Due to revaluation of land in assets, the revaluation difference of the portion attributable to the interests held by the Company was accounted for as "Land revaluation difference" in net assets.

Revaluation was performed by adjusting the road rating pursuant to Article 2, Item 4 of the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land enacted on March 31, 1998. Where the road rating was not provided, adjusted valuation of real estate tax prescribed in Article 2, Item 3 of the Law was used.

	December 31,		December 31,
	2009	2008	**2009**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Difference between the fair value and carrying amount of the revalued land	**¥5,035**	¥4,763	**$54,668**

30. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2009

<Additional Information>

Effective from the year ended December 31, 2009, the Company adopted "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11 of October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 of October 17, 2006). Due to this adoption, summarized financial information of major affiliate is disclosed in addition to the prior disclosures.

1. Transactions with related party

Transactions between the Company and related party

Unconsolidated subsidiary and affiliate etc. of the Company

Attribute	Name	Domicile	Capitalization	Nature of operation	Equity ownership by the Company	Relationship	Nature of transaction	Trading amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Affiliate	SAN MIGUEL CORPORATION (* 1)	Philippine, Manila (*1)	16,113-million Philippine peso (*1)	Manufacturing and sales of beer (*1)	Ownership-Direct 19.9% (*1)	-	Purchase of investment securities (* 2)	119,343	-	-

(*1) The Company sold all shares of SAN MIGUEL CORPORATION on May 22, 2009. The above information is based on the deemed sale date of March 31, 2009.

(*2) The Company acquired all shares of SAN MIGUEL BREWERY INC. which was held by SAN MIGUEL CORPORATION. The purchase price was determined considering the value of the company.

2. Notes relating to the parent company and major affiliate

Summarized financial information of major affiliate

As of December 31, 2009, SAN MIGUEL BREWERY INC. ("SAN MIGUEL"), whose fiscal year-end is December 31, is the major affiliate of the Company. Its summarized financial information is shown below. The balance sheet items are based on the position as of the third quarter ended of SAN MIGUEL, and the items belonging to the statement of income are based on the results of 6 months period from the second quarter to the third quarter of SAN MIGUEL. These figures are included in the consolidated figures of the Company.

	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
Total Current Assets	**¥37,361**	**$405,656**
Total Fixed Assets	**72,425**	**786,373**
Total Deferred Assets	**9,433**	**102,421**
Total Current Liabilities	**10,088**	**109,533**
Total Long-term Liabilities	**73,340**	**796,308**
Total Net Assets	**35,791**	**388,610**
Sales	**48,802**	**529,880**
Income before income taxes and minority interests	**12,101**	**131,389**
Net income	**¥8,968**	**97,372**

For the year ended December 31, 2008

Description is omitted because there were no material related party transactions.

31. BUSINESS COMBINATIONS

For the year ended December 31, 2009

None.

For the year ended December 31, 2008

Application of purchase method

The Company, former Kirin Pharma Company, Limited (now Kyowa Hakko Kirin Co., Ltd.: "Kirin Pharma"), and former Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.: "Kyowa Hakko Kogyo"), pursuant to the resolutions made at the respective meetings of the Boards of Directors of the three companies, have concluded a "Share Exchange Agreement" relating to a share exchange resulting in Kyowa Hakko Kogyo becoming the absolute parent company, and Kirin Pharma becoming a wholly owned subsidiary (the "Share Exchange") on October 22, 2007. Approval for the Share Exchange was obtained at the extraordinary general meeting of shareholders of Kyowa Hakko Kogyo held on February 29, 2008, and at the Ordinary General Meeting of Shareholders of Kirin Pharma held on March 26, 2008. The Share Exchange was executed with an effective date of April 1, 2008.

Although Kyowa Hakko Kogyo became the absolute parent company and Kirin Pharma became a wholly owned subsidiary as the result of the Share Exchange, the Company became the parent company of Kyowa Hakko Kogyo through the acquisition by the Company of the shares of common stock of Kyowa Hakko Kogyo partly through the Share Exchange and partly through the acquisition of shares of common stock of Kyowa Hakko Kogyo on the open market during a tender offer period from October 31, 2007 to December 6, 2007.
Accordingly, the Share Exchange is accounted for as a "reverse acquisition," with Kirin Pharma as the acquiring company and Kyowa Hakko Kogyo as the acquired company and the purchase method was to be applied based on Accounting Standard for Business Combinations (ASBJ) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10).

(1) Trade name and business description of acquired company, main reasons for business combination, date of business combination, legal description of business combination, trade name and share of acquired voting rights after business combination

(a) Trade name and business description of acquired company

Acquired company: Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.)
Business description: Production and sales of pharmaceutical products for medical professionals, raw materials for pharmaceutical/industrial use, healthcare products, products for the agriculture and livestock industry and the fishing industry, alcohol, etc.

(b) Main reasons for business combination

Both Kyowa Hakko Kogyo and Kirin Pharma, have common biotechnological strengths centered on antibody drug technology, and aim to improve their drug development capabilities by integrating their antibody drug technologies; expand opportunities to acquire novel antigens through an improved presence in the antibody drug sector; and increase development speed of antibody drugs by mutually exploiting each other's antibody technologies while proactively developing business overseas. Furthermore, the integration of Kyowa Hakko Kogyo and Kirin Pharma is expected to result in an increase in the scale of research and development and marketing, the establishment of a more efficient business operations systems and the further strengthening of the profitability and competitiveness of their pharmaceutical business: all of which is expected to contribute to a stronger operational base. To ensure these outcomes are effectively realized, an absorption-type merger (the "Merger") has executed through which Kyowa Hakko Kogyo has become the surviving company and Kirin Pharma has become the merging company. In the meantime, through this business combination, Kirin Pharma has become a wholly owned subsidiary of Kyowa Hakko Kogyo as a way of expediting the preparatory work for the subsequently planned Merger.

(c) Date of business combination

April 1, 2008

(d) Legal description of business combination

Share Exchange resulting in Kyowa Hakko Kogyo becoming the absolute parent company, and Kirin Pharma becoming a wholly owned subsidiary of Kyowa Hakko Kogyo.
By purchasing shares of common stock of Kyowa Hakko Kogyo through the tender offer, the Company acquired a share of 27.95% of total issued shares of Kyowa Hakko Kogyo. As part of the subsequent Share Exchange, Kyowa Hakko Kogyo issued shares of common stock to Kirin Pharma's parent company, the Company, to make the Company a parent company of Kyowa Hakko Kogyo that owns shares equivalent to 50.10% of total issued shares of Kyowa Hakko Kogyo.

(e) Trade name after business combination

Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.)
Note that as part of the planned absorption-type merger between Kyowa Hakko Kogyo and Kirin Pharma effective on October 1, 2008 (the surviving company has become Kyowa Hakko Kogyo), the trade name was changed to Kyowa Hakko Kirin Co., Ltd.
For this absorption-type merger, Kyowa Hakko Kirin applied the "transactions under common control accounting treatment."

(f) Share of voting rights acquired by the Company

50.77%

(2) Period of operation of acquired company included in consolidated financial statements

April 1, 2008 to December 31, 2008

Note that the acquired company was an affiliate accounted for under the equity method during the period January 1, 2008 to March 31, 2008.

(3) Acquisition cost of acquired company and its breakdown

Consideration for acquisition	¥271,547 million
Expenditure directly required for acquisition	
Advisory fees etc.	¥1,195 million
Acquisition cost	¥272,743 million

The above amount listed as consideration paid on acquisition includes not only ¥105,980 million in shares of common stock of Kirin Pharma, but also the portion of acquisition that was by shares purchased in the tender offer and changes of book value of investment accounted by the equity method (¥1,800 million). Note that the amount of consideration paid on acquisition for the Share Exchange was based on the market price of Kyowa Hakko Kogyo shares because Kyowa Hakko Kogyo is a public company and Kirin Pharma is a private company.

(4) The share exchange ratio by type of share, the basis for its calculation, and the number and value of shares delivered

(a) Share exchange ratio by type of share

Kyowa Hakko Kogyo allocated and delivered 8,862 shares of its common stock for one (1) share of common stock of Kirin Pharma.

(b) Basis for calculation of share exchange ratio

Concerning Kyowa Hakko Kogyo's and Kirin Pharma's basis for calculation of the share exchange ratio, Kyowa Hakko Kogyo appointed Merrill Lynch Japan Securities Co., Ltd. ("Merrill Lynch") and Kirin Pharma appointed JPMorgan Securities Japan Co., Ltd. ("JPMorgan") as the financial advisors.
Merrill Lynch, to calculate the share exchange ratio, employed various analyses, including discounted cash flow analysis, comparable companies analysis, market price analysis, comparable transactions analysis, contribution analysis, earnings per share accretion/dilution analysis, value creation analysis, and reviewed and considered such analyses as a whole.
JPMorgan, to calculate the share exchange ratio, employed various analyses, including comparable companies analysis, discounted cash flow analysis, and profit contribution analysis.
While referring to the analysis results of the respective financial advisors, the relevant parties engaged in deliberation to decide on the share exchange ratio.

(c) Number and value of shares delivered

Number of delivered shares	177,240,000 shares
Value of delivered shares	¥105,980 million

(5) Amount of goodwill, reason that the goodwill arose, and method and period of amortization

(a) Amount of goodwill

¥128,868 million

(b) Reason that the goodwill arose

The goodwill arose from the future excess profitability that is expected, including synergetic factors, as a result of expanding business.
The amount of goodwill listed above takes into account the premium payment made for the purchase of shares in the tender offer.

(c) Method and period of amortization

Straight-line method over a period of 20 years

(6) Amounts of assets and liabilities received and incurred on the date of business combination and breakdown

Current assets	¥235,695 million
Fixed assets	¥225,788 million
Total assets	¥461,484 million
Current liabilities	¥117,957 million
Long-term liabilities	¥53,964 million
Total liabilities	¥171,922 million

Note: "Amount of goodwill" in (5) (a) is not included in amounts of assets and liabilities.

(7) Estimated impact on the consolidated statement of income for the current fiscal year, assuming the business combination had been completed at the beginning of the current fiscal year

Sales	¥94,438 million
Operating income	¥5,373 million
Ordinary income	¥4,877 million
Income before income taxes and minority interests	(¥1,057) million
Net income	(¥666) million
Net income per share	(¥0.70)

Basis for calculation of estimate and significant assumptions

1. The estimated impact provided above expresses the difference between the estimated sales and earnings data assuming that the business combination had been completed at the beginning of the current fiscal year and the actual sales and earnings data presented in the Company's consolidated statement of income. Equity in earning of affiliates for the period before the completion of the Share Exchange has been reported in the consolidated statement of income.

2. Net income per share has been calculated based on division by 954,466 thousand shares, the average number of shares for the year.
3. The above notes are not audited.

Completion of procedures for allocation of acquisition cost

Kirin Holdings (Australia) Pty Ltd, a consolidated subsidiary of the Company acquired all the issued shares of San Miguel Foods Australia Holdings Pty Ltd, a consolidated subsidiary of San Miguel Corporation which is an equity-method affiliate of the Company, for cash on December 28, 2007. On January 2, 2008, San Miguel Foods Australia Holdings Pty Ltd changed its name to Kirin Foods Australia Holdings Pty Ltd.

Since the acquisition was implemented immediately before the balance sheet date, provisional accounting treatment was applied for all assets and liabilities of Kirin Foods Australia and its subsidiaries in accordance with the provision of Paragraph 69 of the “Guidance for Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures”, issued by the Accounting Standards Board Guidance No. 10. However, in the current fiscal year, the procedures for allocation of acquisition cost have been completed, the impact of adjustments of allocation to assets and liabilities were immaterial.

32. SUBSEQUENT EVENTS

None.

KPMG

Independent Auditors' Report

To the Shareholders and Board of Directors of
Kirin Holdings Company, Limited

We have audited the accompanying consolidated balance sheets of Kirin Holdings Company, Limited and consolidated subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended December 31, 2009, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kirin Holdings Company, Limited and subsidiaries as of December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
March 26, 2010