KIRIN HOLDINGS COMPANY, LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2008
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Consolidated Balance Sheets

Kirin Holdings Company, Limited and Consolidated Subsidiaries

December 31, 2008 and 2007

ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
Current Assets			
Cash (Notes 3 and 24)	**¥72,662**	¥55,009	**$798,220**
Notes and accounts receivable, trade (Note 3)	**446,630**	361,127	**4,906,404**
Marketable securities (Note 18)	**762**	246	**8,370**
Inventories	**219,320**	148,649	**2,409,315**
Deferred tax assets (Note 25)	**22,991**	19,906	**252,565**
Other	**65,735**	52,190	**722,124**
Allowance for doubtful accounts	**(1,879)**	(2,500)	**(20,641)**
Total Current Assets	**826,222**	634,629	**9,076,370**
Fixed Assets			
Property, plant and equipment (Notes 3 and 4)			
(Net of accumulated depreciation and accumulated loss from impairment)			
Buildings and structures	**229,619**	203,103	**2,522,454**
Machinery, equipment and vehicles	**217,872**	197,053	**2,393,408**
Land (Note 29)	**244,240**	158,558	**2,683,071**
Construction in progress	**57,244**	35,437	**628,847**
Other	**42,335**	41,809	**465,066**
Total	**791,311**	635,963	**8,692,859**
Intangible Assets			
Goodwill	**343,975**	258,780	**3,778,699**
Other	**105,493**	128,134	**1,158,881**
Total	**449,469**	386,915	**4,937,592**
Investments and Other Assets (Note 3)			
Investment securities (Notes 18 and 21)	**425,384**	712,234	**4,673,008**
Long-term loans receivable	**9,343**	10,387	**102,636**
Deferred tax assets (Note 25)	**34,700**	34,583	**381,193**
Other (Note 21)	**87,139**	57,838	**957,255**
Allowance for doubtful accounts	**(3,947)**	(2,884)	**(43,359)**
Total	**552,619**	812,160	**6,070,734**
Total Fixed Assets	**1,793,400**	1,835,038	**19,701,197**
Total Assets	**¥2,619,623**	¥2,469,667	**$28,777,578**

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
Current Liabilities			
Notes and accounts payable, trade	**¥189,589**	¥139,255	**$2,082,708**
Short-term loans payable and long-term debt with current maturities (Note 3)	**119,197**	404,725	**1,309,425**
Bonds due within one year	**44,112**	-	**484,587**
Liquor taxes payable	**104,245**	108,260	**1,145,171**
Income taxes payable	**28,495**	31,958	**313,028**
Allowance for employees' bonuses	**5,647**	4,334	**62,034**
Allowance for bonuses for directors and corporate auditors	**257**	442	**2,823**
Reserve for loss on repurchase of land	**-**	2,987	**-**
Accrued expenses	**116,569**	105,216	**1,280,555**
Deposits received	**26,773**	17,286	**294,111**
Other	**84,725**	77,293	**930,737**
Total Current Liabilities	**719,613**	891,760	**7,905,229**
Long-term Liabilities			
Bonds (Note 3)	**242,850**	92,831	**2,667,801**
Long-term debt (Note 3)	**257,731**	112,244	**2,831,275**
Deferred tax liabilities (Note 25)	**55,780**	88,329	**612,765**
Deferred tax liability due to land revaluation (Notes 25 and 29)	**1,471**	1,471	**16,159**
Employees' pension and retirement benefits (Note 27)	**82,704**	60,188	**908,535**
Retirement benefits for directors and corporate auditors	**673**	589	**7,393**
Reserve for repair and maintenance of vending machines	**4,756**	6,387	**52,246**
Reserve for loss on repurchase of land	**1,068**	-	**11,732**
Deposits received (Note 3)	**67,093**	69,644	**737,042**
Other	**35,882**	46,665	**394,177**
Total Long-term Liabilities	**750,012**	478,351	**8,239,173**
Total Liabilities	**1,469,625**	1,370,111	**16,144,402**
NET ASSETS			
Shareholders' Equity (Note 22)			
Common stock			
Authorized - 1,732,026,000 shares			
Issued - 984,508,387 shares	**¥102,045**	¥102,045	**$1,121,004**
Capital surplus	**71,536**	71,353	**785,850**
Retained earnings	**839,248**	781,499	**9,219,466**
Treasury stock, at cost			
30,157,914 shares in 2008 and 29,779,060 in 2007	**(29,058)**	(28,170)	**(319,213)**
Total Shareholders' Equity	**983,772**	926,727	**10,807,118**
Valuation and Translation Adjustments			
Net unrealized holding gains on securities	**37,430**	124,743	**411,183**
Deferred gains or losses on hedges	**79**	370	**867**
Land revaluation difference (Note 29)	**(4,713)**	(4,713)	**(51,774)**
Foreign currency translation adjustments	**(88,756)**	7,683	**(975,019)**
Total Valuation and Translation Adjustments	**(55,959)**	128,083	**(614,731)**
Subscription Rights to Shares	**162**	-	**1,779**
Minority Interests	**222,023**	44,744	**2,439,009**
Total Net Assets	**1,149,998**	1,099,555	**12,633,175**
Total Liabilities and Net Assets	**¥2,619,623**	¥2,469,667	**$28,777,578**

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, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
Sales	**¥2,303,569**	¥1,801,164	¥1,665,946	**$25,305,602**
Less liquor taxes	**380,691**	400,555	402,321	**4,182,038**
Net sales	**1,922,877**	1,400,608	1,263,625	**21,123,552**
Cost of sales	**1,012,204**	678,058	585,531	**11,119,455**
Gross profit	**910,673**	722,550	678,093	**10,004,097**
Selling, general and administrative expenses (Note 6)	**764,696**	601,942	561,735	**8,400,483**
Operating income	**145,977**	120,608	116,358	**1,603,614**
Non-operating income				
Interest income	**2,399**	1,971	1,484	**26,353**
Dividend income	**6,566**	5,292	5,124	**72,130**
Equity in earnings of affiliates	**11,833**	10,282	8,131	**129,990**
Other	**7,027**	5,548	4,401	**77,194**
Total	**27,827**	23,094	19,142	**305,690**
Non-operating expenses				
Interest expense	**25,385**	12,618	9,736	**278,864**
Loss on sale and disposal of finished goods	**1,073**	1,944	994	**11,787**
Foreign currency translation loss (Note 8)	**37,287**	-	-	**409,612**
Other	**6,994**	5,749	3,904	**76,831**
Total	**70,739**	20,312	14,635	**777,095**
Ordinary income	**103,065**	123,389	120,865	**1,132,209**
Special income				
Gain on sale of fixed assets	**11,016**	19,728	2,007	**121,015**
Reversal of allowance for doubtful accounts	**222**	687	670	**2,438**
Gain on sale of investment securities (Note 18)	**2,313**	653	7,940	**25,409**
Gain on change in equity (Note 9)	**72,654**	-	-	**798,132**
Reversal of reserve for repair and maintenance of vending machines	**787**	-	-	**8,645**
Compensation for expropriation (Note 10)	**9,591**	-	-	**105,360**
Reversal of reserve for loss on repurchase of land	-	-	270	-
Gain on sale of shares of subsidiaries and affiliates	-	184	-	-
Reversal of reserve for losses on guarantees	-	62	139	-
Gain on transfer of real estate in trust	-	1,089	-	-
Total	**96,585**	22,404	11,028	**1,061,023**
Special expenses				
Loss on disposal of fixed assets	**5,320**	5,578	6,041	**58,442**
Loss on sale of fixed assets	**322**	564	127	**3,537**
Loss on impairment (Note 7)	**3,564**	2,361	5,755	**39,151**
Loss on devaluation of investment securities (Note 18)	**5,878**	230	195	**64,572**
Loss on sale of investment securities (Note 18)	**607**	14	4	**6,668**
Business restructuring expense (Note 11)	**3,451**	3,878	4,492	**37,910**
Expenses for integration (Note 12)	**4,643**	-	-	**51,005**
Non-recurring depreciation on fixed assets	**762**	-	-	**8,370**
Compensation for damages (Note13)	**1,937**	-	-	**21,278**
Loss on sale of shares of subsidiaries and affiliates	-	1,731	-	-
Loss on liquidation of business (Note 14)	**2,714**	-	-	**29,814**
Amortization of goodwill (Note 15)	**1,531**	-	1,588	**16,818**
Loss due to the change in the pension and retirement benefit plans	-	-	2,126	-
Loss of equity method investments (Note 16)	**3,180**	1,929	-	**34,933**
General interest charge of income taxes for prior years in a foreign subsidiary (Note 17)	-	1,092	-	-
Total	**33,915**	17,380	20,332	**372,569**
Income before income taxes and minority interests	**165,735**	128,413	111,560	**1,820,663**
Income taxes - current	**64,026**	48,800	52,485	**703,350**
Income taxes for prior years (Note 17)	-	(2,011)	-	-
Income taxes - deferred	**4,366**	3,554	(1,627)	**47,962**
Minority interests	**17,160**	11,355	7,189	**188,509**
Net income	**¥80,182**	¥66,713	¥53,512	**$880,830**

	Yen			U.S. dollars (Note 1)
Earnings per share				
Primary	**¥84.01**	¥69.86	¥55.98	**$0.92**
Diluted	**-**	-	-	**-**
Cash dividends per share applicable to the year	**23.00**	21.00	17.00	**0.25**

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, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
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	**$1,121,004**
Balance at end of year	**¥102,045**	¥102,045	¥102,045	**$1,121,004**
Capital surplus				
Additional paid-in capital:				
Balance at beginning of year	**¥71,353**	¥71,114	¥70,999	**$783,840**
Surplus from sale of treasury stock	**182**	239	114	**1,999**
Balance at end of year	**¥71,536**	¥71,353	¥71,114	**$785,850**
Retained earnings				
Retained earnings at beginning of year	**¥781,499**	¥732,134	¥730,226	**$8,585,070**
Increase in retained earnings				
Increase resulting from newly consolidated subsidiaries	-	-	562	-
Total	-	-	562	-
Decrease in retained earnings				
Cash dividends paid (Note 23)	**22,432**	17,192	14,820	**246,424**
Bonuses paid to directors and corporate auditors (Including corporate auditors' portion of ¥16 million for 2006)	-	-	270	-
Decrease due to inclusion of subsidiaries in the consolidation scope	-	-	10	-
Decrease due to change in accounting standards of foreign subsidiaries	-	-	6,602	-
Decrease due to exclusion of affiliates accounted for by the equity method	-	155	24,404	-
Foreign currency translation adjustments of foreign subsidiaries and affiliates	-	-	6,057	-
Total	**22,432**	17,347	52,167	**246,424**
Net income	**80,182**	66,713	53,512	**880,830**
Retained earnings at end of year	**¥839,248**	¥781,499	¥732,134	**$9,219,466**
Treasury stock				
Balance at beginning of year	**¥(28,170)**	¥(26,797)	¥(25,091)	**$(309,458)**
Purchase of treasury stock	**(1,372)**	(1,711)	(1,855)	**(15,071)**
Sale of treasury stock	**484**	337	150	**5,316**
Balance at end of year	**¥(29,058)**	¥(28,170)	¥(26,797)	**$(319,213)**
Net unrealized holding gains on securities				
Balance at beginning of year	**¥124,743**	¥122,466	¥117,207	**$1,370,350**
Net changes of items	**(87,313)**	2,277	5,258	**(959,167)**
Balance at end of year	**¥37,430**	¥124,743	¥122,466	**$411,183**
Deferred gains or losses on hedges				
Balance at beginning of year	**¥370**	¥(352)	¥ -	**$4,064**
Net changes of items	**(290)**	723	(352)	**(3,185)**
Balance at end of year	**¥79**	¥370	¥(352)	**$867**
Land revaluation difference				
Balance at beginning of year (Note 29)	**¥(4,713)**	¥(4,713)	¥(4,713)	**$(51,774)**
Balance at end of year	**¥(4,713)**	¥(4,713)	¥(4,713)	**$(51,774)**
Foreign currency translation adjustments				
Balance at beginning of year	**¥7,683**	¥(1,907)	¥(18,073)	**$84,400**
Net changes of items	**(96,439)**	9,591	16,165	**(1,059,419)**
Balance at end of year	**¥(88,756)**	¥7,683	¥(1,907)	**$(975,019)**
Subscription rights to shares				
Balance at beginning of year	**¥ -**	¥ -	¥ -	**$ -**
Net changes of items	**162**	-	-	**1,779**
Balance at end of year	**¥162**	¥ -	¥ -	**$1,779**

Minority interests				
Balance at beginning of year	**¥44,744**	¥49,734	¥79,292	**$491,530**
Net changes of items	**177,279**	(4,990)	(29,558)	**1,947,478**
Balance at end of year	**¥222,023**	¥44,744	¥49,734	**$2,439,009**

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, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
Cash flows from operating activities				
Income before income taxes and minority interests	**¥165,735**	¥128,413	¥111,560	**$1,820,663**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**95,948**	71,913	68,432	**1,054,026**
Loss on impairment	**3,564**	2,361	5,755	**39,151**
Amortization of goodwill	**22,376**	7,448	8,040	**245,809**
Increase (decrease) in employees' pension and retirement benefits	**134**	(1,913)	(9,976)	**1,472**
Interest and dividend income	**(8,966)**	(7,263)	(6,609)	**(98,495)**
Equity in earnings of affiliates	**(11,833)**	(10,282)	(8,131)	**(129,990)**
Interest expense	**25,385**	12,618	9,736	**278,864**
Foreign currency translation gain or loss	**35,957**	-	-	**395,001**
Gain on sale of fixed assets	**(11,016)**	(19,728)	(2,007)	**(121,015)**
Gain on sale of marketable securities and investment securities	**(2,313)**	(653)	(7,940)	**(25,409)**
Gain on changes in equity	**(72,654)**	-	-	**(798,132)**
Compensation for expropriation	**(9,591)**	-	-	**(105,360)**
Loss on disposal and sale of fixed assets	**5,643**	6,143	6,169	**61,990**
Loss on devaluation of investment securities	**5,878**	230	195	**64,572**
Decrease (increase) in notes and accounts receivable, trade	**17,120**	(3,205)	3,031	**188,069**
Decrease (increase) in inventories	**(11,755)**	(10,439)	(5,198)	**(129,133)**
Increase (decrease) in notes and accounts payable, trade	**986**	5,076	(8,558)	**10,831**
Increase (decrease) in liquor taxes payable	**(3,735)**	(57)	(1,203)	**(41,030)**
Increase (decrease) in consumption taxes payable	**(1,136)**	7,942	1,940	**(12,479)**
Increase (decrease) in deposits received	**935**	(7,310)	(7,764)	**10,271**
Other	**(24,192)**	(3,377)	10,741	**(265,758)**
Sub-total	**222,471**	177,917	168,213	**2,443,930**
Interest and dividend received	**13,068**	10,472	9,094	**143,557**
Interest paid	**(23,308)**	(11,629)	(10,104)	**(256,047)**
Income taxes paid	**(80,948)**	(62,175)	(43,517)	**(889,245)**
Net cash provided by operating activities	**131,281**	114,585	123,685	**1,442,172**
Cash flows from investing activities				
Payment for purchases of property, plant and equipment and intangible assets	**(126,063)**	(66,873)	(59,953)	**(1,384,851)**
Proceeds from sale of property, plant and equipment and intangible assets	**26,506**	24,747	4,745	**291,178**
Payment for purchases of marketable securities and investment securities	**(2,144)**	(183,787)	(6,716)	**(23,552)**
Proceeds from sale and redemption of marketable securities and investment securities	**7,150**	9,194	9,095	**78,545**
Payment for purchases of shares of subsidiaries	**(1,663)**	(6,648)	(75,585)	**(18,268)**
Payment for acquisition of shares of newly consolidated subsidiaries (Note 24)	**(73,407)**	(70,589)	(26,253)	**(806,404)**
Proceeds from acquisition of shares of newly consolidated subsidiaries	**1,880**	-	-	**20,652**
Payment of loans receivable	**-**	(38,052)	(896)	**-**
Collection of loans receivable	**-**	38,208	1,215	**-**
Proceeds from cancellation of life insurance investments	**-**	23,232	-	**-**
Other	**(1,590)**	946	1,109	**(17,466)**
Net cash used in investing activities	**(169,330)**	(269,621)	(153,239)	**(1,860,155)**
Cash flows from financing activities				
Increase (decrease) in short-term loans payable	**(232,766)**	310,909	(980)	**(2,557,025)**
Proceeds from long-term debt	**199,969**	18,139	77,684	**2,196,737**
Repayment of long-term debt	**(94,699)**	(177,758)	(21,770)	**(1,040,305)**
Proceeds from issue of bonds	**199,934**	-	-	**2,196,352**
Payment for redemption of bonds	**(5,888)**	-	(69,900)	**(64,681)**
Payment for purchase of treasury stock	**(1,372)**	(1,711)	(1,855)	**(15,071)**
Proceeds from sale of treasury stock	**667**	576	265	**7,327**
Payment for purchase of treasury stock by the consolidated subsidiary	**(976)**	(27)	(906)	**(10,721)**
Cash dividends paid	**(22,432)**	(17,208)	(14,830)	**(246,424)**
Cash dividends paid to minority shareholders	**(19,104)**	(12,554)	(17,408)	**(209,864)**
Other	**3,354**	1,189	(309)	**36,844**
Net cash provided by (used in) financing activities	**26,684**	121,555	(50,012)	**293,134**
Effect of exchange rate fluctuation on cash and cash equivalents	**(16,226)**	(740)	704	**(178,248)**
Net increase (decrease) in cash and cash equivalents	**(27,590)**	(34,222)	(78,862)	**(303,086)**
Cash and cash equivalents at beginning of year	**52,307**	86,588	164,800	**574,612**
Net increase (decrease) in cash and cash equivalents from new consolidation/de-consolidation of subsidiaries	**43,740**	(58)	650	**480,500**
Cash and cash equivalents at end of year (Note 24)	**¥68,457**	¥52,307	¥86,588	**$752,026**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Kirin Holdings Company, Limited and Consolidated Subsidiaries

December 31, 2008, 2007 and 2006

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, 2008, which was ¥91.03 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		
	2008	2007	2006
Consolidated subsidiaries	**371**	345	272

Changes in the scope of consolidation are as follows:

(a) Due to additional acquisition of shares, former Kyowa Hakko Kogyo Co., Ltd.(now Kyowa Hakko Kirin Co., Ltd.), an affiliated company accounted for by the equity method until the previos fiscal year, became a consolidated subsidiary. Consequently, 23 subsidiaries of former Kyowa Hakko Kogyo Co., Ltd. were included in the consolidation scope.

(b) In 2008, due to new establishment, 1 subsidiary of Kyowa Hakko Kirin Co., Ltd., 1 subsidiary of Kirin Beverage Co., Ltd. and 1 subsidiary of Kirin Food-Tech Co., Ltd. became consolidated subsidiaries.

(c) In 2008, due to new acquisition, 3 subsidiaries of Kirin Beverage Co., Ltd., 16 subsidiaries of Lion Nathan Ltd., Dairy Farmers Limited and 15 subsidiaries of Kirin Holdings (Australia) Pty Ltd became consolidated subsidiaries.

(d) In 2008, due to sale of shares, 2 subsidiaries of Kirin Agribio EC B.V., 1 subsidiary of Lion Nathan Ltd., and 1 subsidiary of Kirin Holdings (Australia) Pty Ltd were excluded from the scope of consolidation.

(e) In 2008, due to completion of liquidation, 1 subsidiary of Mercian Corporation and 29 subsidiaries of Lion Nathan Ltd., were excluded from the consolidation scope.

(f) In 2008, due to merger, former Kirin Pharma Company, Limited (now Kyowa Hakko Kirin Co., Ltd.) and 1 subsidiary of Kirin Brewery Co., Ltd. were excluded from the consolidation scope.

(g) In 2007, due to new establishment, 1 subsidiary of Kirin Holdings (Australia) Pty Ltd, 1 subsidiary of Kirin Agribio EC B.V. and 1 subsidiary of Kirin Beverage Co., Ltd. became consolidated subsidiaries.

(h) In 2007, due to new acquisition, National Foods Limited, Berri Limited and 44 other subsidiaries of Kirin Holdings (Australia) Pty Ltd, 2 subsidiaries of Kirin Beverage Co., Ltd. and 28 subsidiaries of Lion Nathan Ltd. became consolidated subsidiaries.

(i) In 2007, due to sale of shares, Kirin Plaza Co., Ltd., Beerstyle 21 Inc. and 3 other companies were excluded from the scope of consolidation.

(j) In 2007, due to completion of liquidation, Twyford International Inc. was 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:

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

	2007	
Consolidated subsidiaries	Fiscal year-end	
Lion Nathan Ltd. and its subsidiaries	September 30	(ii)
Japan Potato Corporation	September 30	(ii)
Kirin Agribio Co., Ltd.	September 30	(ii)
Kirin Agribio EC B.V. and its subsidiaries	September 30	(ii)
Kirin Agribio Shanghai Co., Ltd.	September 30	(ii) (iii)
KV Corporation	September 30	(ii)
CHATEAU REYSSON	October 31	(ii)
NIPPON LIQUOR LTD.	March 31	(i)

(i) The Company used the financial statements based on preliminary statements as of its fiscal year-ends and for the years then ended for consolidation.
(ii) The Company used the financial statements of the companies as of their fiscal year-ends and for the years then ended for consolidation.
(iii) Kirin Agribio Shanghai Co., Ltd. has changed its fiscal year end from December 31 to September 30.

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

In 2008, 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.
In 2007, 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 15 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		
	2008	2007	2006
Unconsolidated subsidiaries and affiliates accounted for by the equity method	**27**	22	19

Changes in the scope of application of the equity method are as follows:
(a) 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.
(b) In 2008, due to new acquisition, 2 affiliates of Kirin Holdings (Australia) Pty Ltd became affiliates accounted for by the equity method.
(c) 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.
(d) In 2007, due to new acquisition, Kyowa Hakko Kogyo Co., Ltd., HANGZHOU QIANDAOHU BREWERY CO., LTD. and other 2 affiliates became affiliates accounted for by the equity method.
(e) In 2007, due to sale of shares, 1 subsidiary of Lion Nathan Ltd., which was a consolidated subsidiary in the year ended December 31, 2006, became an affiliate accounted for by the equity method.
(f) In 2007, due to sale of shares, Yonekyu Corporation and one other company were excluded from the scope of application of the equity method.

In 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.
In 2007, certain investments in unconsolidated subsidiaries including Kirin Agribio USA, Inc. 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 2007, where the difference between the Company's and an affiliates' year-end is more than 6 months, the Company uses their interim financial statements that were for the most recent accounting periods and necessary adjustments were made for applying the equity method.

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.
In 2007, the Company had recognized equity in earnings of San Miguel Corporation based on its year-end financial statements. As the Company has made an effort to respond to demands for expedited business performance disclosure, and in consideration of the difficulty in calculating equity in earnings of affiliates using their final figures, the Company has calculated equity in earnings of San Miguel Corporation based on its third quarter financial statements. As a result, the consolidated statements of income of the Company for the year ended December 31, 2007 include the financial results of San Miguel Corporation for 12 months from October 1, 2006 to September 30, 2007.

(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, 2008 and 2007.

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. Raw materials, containers and supplies are mainly stated at cost determined by the moving-average method. Construction in process is stated at cost determined by the specific identification method.

(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

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.

(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.
As a result, compared to the previous method, operating income decreased by ¥2,263 million ($24,859 thousand), ordinary income and income before income taxes and minority interests decreased by ¥2,266 million ($24,892 thousand) and ¥2,266 million ($24,892 thousand), respectively. The effect of this change on segment information is explained in Note 19 “SEGMENT INFORMATION.”

(9) INTANGIBLE 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) IMPAIRMENT OF FIXED ASSETS

Effective from the year ended December 31, 2004, the Company adopted the new accounting standard for impairment of fixed assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and “Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets” (the Financial Accounting Standared Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003) with early adoption permitted from the year ended March 31, 2004 or thereafter.
As a result, income before income taxes and minority interests decreased by ¥3,564 million ($39,151 thousand), ¥2,361 million and ¥5,755 million for the years ended December 31, 2008, 2007 and 2006 respectively, compared with what would have been reported if the new accounting standard had not been adopted.
Accumulated loss from impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

(11) ALLOWANCE FOR EMPLOYEES’ BONUSES

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

(Additional Information)
From the second half of the year ended December 31, 2007, the Company and several subsidiaries provided allowance for bonuses based on revised rules, since the Company and several subsidiaries revised rules for payment of employees’ bonuses including the partial introduction of performance-linked bonuses, which caused a partial difference between the period subject to the payment of bonuses and the timing of such payment. The effect of this change was to decrease operating income, ordinary income and income before income taxes and minority interests by ¥1,708 million respectively. The effect of this change on segment information is explained in Note 19 “SEGMENT INFORMATION.”

(12) 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.

(13) 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, 2008, mainly 13 to 15 years for the year ended December 31, 2007 and mainly 15 years for the year ended December 31, 2006. 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, 2008, mainly 13 to 15 years for the year ended December 31, 2007 and mainly 15 years for the year ended December 31, 2006, beginning from the following fiscal year.

(14) 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.

(Additional Information)
For the year ended December 31, 2007, the Company and some consolidated subsidaries resolved to abolish the retirement benefit system for directors and corporate auditors. Accordingly, an amount equivalent to accrued retirement benefits due to the abolition of the system is recorded as "Other" long term liabilities.

(15) 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.

(16) RESERVE FOR LOSS ON REPURCHASE OF LAND

For the year ended December 31, 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.
For the year ended December 31, 2007, the Company provides the reserve at an amount deemed necessary to cover the possible loss such as soil pollution on repurchase of land, which was sold to the Organizationin in September 1998 with the right for the Organization to sell back the land to the Company on certain conditions.

(17) 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 ¥54,004 million ($593,254 thousand), ¥28,595 million and ¥28, 292 million, respectively, in 2008, 2007 and 2006.

(18) LIQUOR TAXES

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

(19) 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.

(20) CONSUMPTION TAXES

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

(21) BONUSES TO DIRECTORS AND CORPORATE AUDITORS

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

(22) LEASES

Finance leases, except for those leases under which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases. Some consolidated subsidiaries mainly capitalize finance leases.

(23) 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.

(24) 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.

(25) CHANGE OF DEPRECIATION OF FIXED ASSETS

Due to the revision of the Corporation Tax Law, for the year ended December 31, 2007 the method of depreciation of property, plant and equipment acquired on or after April 1, 2007 has been changed to the method based on the revised Corporation Tax Law. However, the Company and some consolidated companies have changed the method for the items acquired on or after July 1, 2007. The effect on net income of this change is immaterial. The change of the method was conducted in the second half of the fiscal year, since the application system update was completed at that time. Hence the previous accounting method was applied for the interim period of the fiscal year. The effect on net income of this change was not material.

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

Short-term loans payable outstanding at December 31, 2008 and 2007 consisted of the following:

	December 31,		December 31,
	2008	2007	**2008**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Unsecured	**¥ 89,851**	¥321,126	**$ 987,048**
Secured	**-**	431	**-**
Total short-term loans payable	**¥89,851**	¥321,557	**$987,048**

Average annual interest rates on outstanding short-term loans payable for the years ended December 31, 2008 and 2007 were 2.49% and 1.44%, respectively.

Long-term debt and bonds at December 31, 2008 and 2007 consisted of the following:

	December 31, 2008	December 31, 2007	December 31, 2008
	(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 3.72% for current portion and 5.68% for non-current portion	**¥287,076**	¥190,812	**$3,153,641**
1.20% coupon debentures in yen, due in 2009	**40,000**	40,000	**439,415**
1.09% coupon debentures in yen, due in 2013	**79,979**	-	**878,600**
1.27% coupon debentures in yen, due in 2015	**29,989**	-	**329,440**
1.69% coupon debentures in yen, due in 2018	**69,987**	-	**768,834**
1.86% coupon debentures in yen, due in 2020	**19,985**	-	**219,543**
8.65% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2009-2012	**16,427**	22,993	**180,456**
4.53% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2015	**20,273**	22,940	**222,706**
3.76% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2010	**10,260**	11,495	**112,710**
Others	**60**	-	**659**
Less current maturities	**(73,458)**	(78,568)	**(806,964)**
Total long-term debt and bonds	**¥500,581**	¥209,674	**$5,499,077**

The above balances of loans include secured loans of ¥699 million ($7,678 thousand) and ¥18,065 million for 2008 and 2007, respectively

Other interest-bearing debt an December 31, 2008 and 2007 consisted of the following.

	December 31, 2008	December 31, 2007	December 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Finance lease obligation – current (at an average interest rate of 5.42%)	**¥ 226**	¥ 246	**$ 2,482**
Finance lease obligation – non-current (at an average interest rate of 7.96% maturing serially between 2009-2028)	**2,200**	2,459	**24,167**
Deposits received from customers (at an average interest rate of 1.29%)	**¥ 57,384**	61,365	**$ 630,385**

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 ($37,438 thousand) and ¥3,408 million for 2008 and 2007, respectively.

The aggregate annual maturities of long-term debt, bonds and finance lease obligation at December 31, 2008 were as follows.

Year ending December 31,	Amount (Millions of yen)	Amount (Thousands of U.S. dollars) (Note 1)
2009	**¥73,685**	**$809,458**
2010	**102,637**	**1,127,507**
2011	**61,953**	**680,577**
2012 and thereafter	**338,191**	**3,715,159**
Total	**¥576,467**	**$6,332,714**

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, 2008 and 2007, assets pledged as collateral for the above secured liabilities were as follows:

	December 31, 2008	December 31, 2007	December 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Cash	**¥14**	¥10	**$153**
Notes and accounts receivable, trade	**-**	31,807	**-**
Property, plant and equipment	**3,778**	5,444	**41,502**
Other	**957**	0	**10,513**
Total	**¥4,750**	¥37,262	**$52,180**

In addition to the above, deposits received relating to construction were recognized at the discounted present value of ¥9,779 million ($107,426 thousand), 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,
	2008	2007	**2008**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Buildings and structures	**¥624,928**	¥496,623	**$6,865,077**
Machinery, equipment and vehicles	**939,185**	733,439	**10,317,312**
Land	**244,240**	158,558	**2,683,071**
Construction in progress	**57,244**	35,437	**628,847**
Other	**187,092**	154,783	**2,055,278**
Total	**2,052,691**	1,578,843	**22,549,610**
Accumulated depreciation	**(1,261,379)**	(942,880)	**(13,856,739)**
Net of property, plant and equipment	**¥791,311**	¥635,963	**8,692,859**

5. CONTINGENT LIABILITIES

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 ($142,304 thousand) as of December 31, 2008.
The Company and consolidated subsidiaries were also contingently liable for notes receivable discounted for the amount of ¥66 million ($725 thousand).
For the year ended in December 31, 2007, the Company and consolidated subsidiaries were contingently liable as guarantors of loan obligations of unconsolidated subsidiaries, affiliates, employees and others for the amount of ¥13,511 million as of December 31,2007.

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended December 31, 2008, 2007 and 2006 were as follows:

	Year ended December 31,			Year ended December 31,
	2008	2007	2006	**2008**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Sales promotion	**¥201,273**	¥181,475	¥176,389	**$2,211,062**
Freight	**79,901**	56,965	53,010	**877,743**
Advertising	**72,069**	69,075	66,684	**791,706**
Employees' pension and retirement benefit expenses	**12,113**	9,600	8,573	**133,066**
Salaries and wages of employees	**139,550**	103,494	94,588	**1,533,011**
Research and development expenses	**53,440**	28,595	28,292	**587,059**
Depreciation	**32,426**	25,353	24,856	**356,212**

7. LOSS ON IMPAIRMENT

In2008, 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 fiscal 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 ($25,628 thousand) for buildings and structures, ¥608 million ($6,679 thousand) for machinery, equipment and vehicles, ¥485 million ($ 5,327 thousand) for land and ¥872 million ($9,579 thousand) for other items. ¥1,503million ($16,511 thousand) 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 ($8,436 thousand) 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 %.

For the Australian subsidiaries, a deterioration of investment efficiency led to a lowering of the recoverable amounts. This loss on impairment of ¥690 million was recognized on goodwill in accordance with Australian accounting standards.

8. FOREIGN CURRENCY TRANSLATION LOSS

Gain on valuation of currency swaps ¥23,541 million ($258,607 thousand) in 2008 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, 2008, business restructuring expense comprised a premium on retirement benefits amounting to ¥3,208 million ($35,241 thousand) resulting from early retirement at consolidated subsidiaries.

For the year ended December 31, 2007, business restructuring expense comprised a premium on retirement benefits amounting to ¥28 million resulting from early retirement at one consolidated subsidiary, revaluation of certain fixed assets amounting to ¥1,634 million due to improvement of factory production efficiency, and loss on disposal of fixed assets and others amounting to ¥2,214 million at one foreign subsidiary.

12. EXPENSES FOR INTEGRATION

For the year ended December 31, 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 31,2008, 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 ($16,511 thousand), a premium employees' retirement benefits amounting to ¥799 million ($8,777thousand), and loss on devaluation of inventories amounting to ¥ 342 million ($3,757 thousand), 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, 2008			**December 31, 2008**		
	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	**¥600**	**¥608**	**¥8**	**$6,591**	**$6,679**	**$87**
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	**600**	**608**	**8**	**6,591**	**6,679**	**87**
2. Securities with fair market value not exceeding book value						
Governmental/municipal bonds	**60**	**59**	**(0)**	**659**	**648**	**(0)**
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	**60**	**59**	**(0)**	**659**	**648**	**(0)**
Total	**¥660**	**¥667**	**¥7**	**$7,250**	**$7,327**	**$76**

	December 31, 2007		
	Book value	Fair market value	Difference
	(Millions of yen)		
1. Securities with fair market value exceeding book value			
Governmental/municipal bonds	¥379	¥383	¥3
Corporate bonds	-	-	-
Other	-	-	-
Sub-total	379	383	3
2. Securities with fair market value not exceeding book value			
Governmental/municipal bonds	409	408	(1)
Corporate bonds	-	-	-
Other	-	-	-
Sub-total	409	408	(1)
Total	¥789	¥791	¥2

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

	December 31, 2008			December 31, 2008		
	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	**¥87,933**	**¥163,737**	**¥75,804**	**$965,978**	**$1,798,714**	**$832,736**
Bonds						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	**46**	**47**	**1**	**505**	**516**	**10**
Other	**15**	**15**	**0**	**164**	**164**	**0**
Sub-total	**87,995**	**163,801**	**75,805**	**966,659**	**1,799,417**	**832,747**
2. Securities with book value not exceeding acquisition cost						
Equity securities	**103,110**	**79,467**	**(23,642)**	**1,132,703**	**872,975**	**(259,716)**
Bonds						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	**103,110**	**79,467**	**(23,642)**	**1,132,703**	**872,975**	**(259,716)**
Total	**¥191,106**	**¥243,268**	**¥52,162**	**$2,099,373**	**$2,672,393**	**$573,019**

	December 31, 2007		
	Acquisition cost	Book value	Difference
	(Millions of yen)		
1. Securities with book value exceeding acquisition cost			
Equity securities	¥146,652	¥366,427	¥219,774
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	15	28	13
Sub-total	146,668	366,455	219,787
2. Securities with book value not exceeding acquisition cost			
Equity securities	12,671	9,790	(2,880)
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Sub-total	12,671	9,790	(2,880)
Total	¥159,339	¥376,246	¥216,906

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

	Year ended December 31,		Year ended December 31,
	2008	2007	**2008**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Amount sold	**¥6,732**	¥1,708	**$73,953**
Total gain on sale	**2,284**	653	**25,090**
Total loss on sale	**601**	14	**6,602**

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

	Year ended December 31,		Year ended December 31,
	2008	2007	**2008**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Held-to-maturity debt securities			
Unlisted foreign debt securities	**¥655**	¥ -	**$7,195**
Available-for-sale securities			
Unlisted equity securities	**29,525**	17,138	**324,343**
Other	**492**	240	**5,404**
Total	**¥30,673**	¥17,379	**$336,954**

(e) Redemption schedule

The redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2008 is 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	**¥60**	**¥600**	-	-	**$659**	**$6,591**	-	-
Corporate bonds	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
2. Other	-	-	-	-	-	-	-	-
Total	**¥60**	**¥600**	-	-	**$659**	**$6,591**	-	-

The redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2007 is 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	¥209	¥580	-	-
Corporate bonds	-	-	-	-
Other	-	-	-	-
2. Other	-	-	-	-
Total	¥209	¥580	-	-

(f) Impairment loss on investment securities

Impairment losses of ¥5,878 million ($64,572 thousand) and ¥230 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, 2008 and 2007, 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, 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, 2008						
	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	**$12,979,336**	**$7,873,096**	**$1,884,181**	**$2,568,966**	**$25,305,602**	**$ -**	**$25,305,602**
Less liquor taxes	**4,172,053**	**-**	**-**	**9,985**	**4,182,038**	**-**	**4,182,038**
Net sales	**8,807,283**	**7,873,096**	**1,884,181**	**2,558,969**	**21,123,552**	**-**	**21,123,552**
Inter-segment	**406,964**	**53,224**	**4,701**	**366,186**	**831,088**	**(831,088)**	**-**
Total sales	**9,214,248**	**7,926,320**	**1,888,893**	**2,925,167**	**21,954,652**	**(831,088)**	**21,123,552**
Operating expenses	**8,005,976**	**7,855,673**	**1,579,094**	**2,724,354**	**20,165,110**	**(645,171)**	**19,519,938**
Operating income	**$1,208,271**	**$70,647**	**$309,787**	**$200,812**	**$1,789,530**	**$(185,916)**	**$1,603,614**
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	**$11,811,062**	**$6,679,061**	**$4,415,884**	**$4,052,609**	**$26,958,640**	**$1,818,938**	**$28,777,578**
Depreciation and amortization	**520,949**	**290,563**	**83,796**	**135,570**	**1,030,901**	**20,960**	**1,051,862**
Loss on impairment	**15,577**	**285**	**19,235**	**4,031**	**39,151**	**-**	**39,151**
Capital expenditures	**668,285**	**334,505**	**57,860**	**162,913**	**1,223,585**	**187,388**	**1,410,974**

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, 2008 — ¥17,854 million ($196,133 thousand), mainly consisting of ¥14,779 million ($162,353 thousand) for Group administrative expenses due to the Company’s transfer to a pure holding company and ¥3,074 million ($33,769 thousand) 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 ($6,330,803 thousand)

In addition, impairment loss of “Soft Drinks and Foods Business” was included in “Loss on liquidation of business” in special expenses, amounting to ¥ 1,503 million ($ 16,511 thousand).

	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

	Year ended December 31, 2006						
	Alcohol Beverages	Soft Drinks	Pharma-ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	¥1,063,318	¥392,729	¥67,245	¥142,653	¥1,665,946	¥ -	¥1,665,946
Less liquor taxes	402,321	-	-	-	402,321	-	402,321
Net sales	660,996	392,729	67,245	142,653	1,263,625	-	1,263,625
Inter-segment	3,365	70	-	112,799	116,235	(116,235)	-
Total sales	664,362	392,800	67,245	255,453	1,379,861	(116,235)	1,263,625
Operating expenses	581,086	373,086	55,200	251,889	1,261,262	(113,995)	1,147,266
Operating income	¥83,275	¥19,714	¥12,044	¥3,563	¥118,598	¥(2,240)	¥116,358
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	¥950,694	¥270,941	¥104,745	¥336,557	¥1,662,939	¥300,647	¥1,963,586
Depreciation and amortization	40,296	15,990	4,234	8,689	69,211	1,609	70,820
Loss on impairment	3,749	16	-	1,990	5,755	-	5,755
Capital expenditures	30,198	17,413	8,478	9,675	65,766	7,296	73,062

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 31,2007

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.

Year ended December 31,2006

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

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

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.
Year ended December 31, 2006	¥2,358 million, mainly consisting of ¥2,657 million 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, 2007	¥625,844 million
Year ended December 31, 2006	¥424,560 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	1,461831	(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.

For reference, business segment information for the year ended December 31, 2006 that shows the business classification to conform to the year ended December 31,2007 is provided below:

	Year ended December 31, 2006						
	Alcohol Beverages	Soft Drinks	Pharma-Ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	¥1,099,308	¥392,729	¥67,245	¥106,664	¥1,665,946	¥ -	¥1,665,946
Less liquor taxes	402,321	-	-	-	402,321	-	402,321
Net sales	696,986	392,729	67,245	106,664	1,263,625	-	1,263,625
Inter-segment	31,444	70	-	17,583	49,098	(49,098)	-
Total sales	728,430	392,800	67,245	124,247	1,312,723	(49,098)	1,263,625
Operating expenses	641,920	373,086	55,200	123,685	1,193,893	(46,626)	1,147,266
Operating income	¥86,510	¥19,714	¥12,044	¥561	¥118,830	¥(2,472)	¥116,358
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	¥1,036,898	¥270,941	¥104,745	¥176,931	¥1,589,516	¥374,069	¥1,963,586
Depreciation and amortization	41,364	15,990	4,234	6,500	68,091	2,729	70,820
Loss on impairment	3,768	16	-	1,970	5,755	-	5,755
Capital expenditures	37,295	17,413	8,478	6,680	69,868	3,194	73,062

(Additional Information)

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 ($16,137 thousand) in Alcohol Beverages business, by ¥395 million ($4,339 thousand) in Soft Drinks and Foods business, by ¥172 million ($1,889 thousand) in Pharmaceuticals business, by ¥143 million ($1,570 thousand) in Other businesses, and by ¥82 million ($ 900 thousand)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.

In 2007, as discussed in Note 2 (11), from the second half of the year ended December 31, 2007, the Company and some of its consolidated subsidiaries provide an "Allowance for employees' bonuses" in line with the revised rules for payment of employees' bonuses.
The effect of this change in accounting method was to increase operating expenses by ¥1,233 million in Alcohol Beverages business, by ¥342 million in Pharmaceuticals business, by ¥51 million in Other businesses, and by ¥80 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, 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, 2008					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Thousands of U.S. dollars) (Note 1)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	**$19,640,503**	**$4,812,666**	**$852,422**	**$25,305,602**	**¥ -**	**$25,305,602**
Less liquor taxes	**4,164,956**	**16,192**	**878**	**4,182,038**	**-**	**4,182,038**
Net sales	**15,475,535**	**4,796,462**	**851,532**	**21,123,552**	**-**	**21,123,552**
Inter-segment	**223,354**	**40,931**	**85,477**	**349,774**	**(349,774)**	**-**
Total sales	**15,698,901**	**4,837,405**	**937,020**	**21,473,338**	**(349,774)**	**21,123,552**
Operating expenses	**14,384,862**	**4,444,567**	**849,686**	**19,679,127**	**(159,189)**	**19,519,938**
Operating income	**$1,314,028**	**$392,837**	**$87,322**	**$1,794,199**	**$(190,585)**	**$1,603,614**
2. Assets	**$18,226,024**	**$6,944,172**	**$1,915,313**	**$27,085,510**	**$1,692,068**	**$28,777,578**

	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

	Year ended December 31, 2006					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	¥1,430,229	¥177,807	¥57,909	¥1,665,946	¥ -	¥1,665,946
Less liquor taxes	400,546	1,700	74	402,321	-	402,321
Net sales	1,029,683	176,107	57,834	1,263,625	-	1,263,625
Inter-segment	2,671	1,265	3,586	7,523	(7,523)	-
Total sales	1,032,354	177,372	61,421	1,271,148	(7,523)	1,263,625
Operating expenses	949,141	146,835	56,618	1,152,595	(5,328)	1,147,266
Operating income	¥83,212	¥30,537	¥4,802	¥118,552	¥(2,194)	¥116,358
2. Assets	¥1,031,797	¥336,140	¥185,827	¥1,553,765	¥409,821	¥1,963,586

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 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 ($24,859 thousand), 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.

In 2007, as discussed in Note 2 (11), effective from the year ended December 31, 2007, the Company and several consolidated subsidiaries recorded “Allowance for employees’ bonuses” to comply with the Company’s revised rules for payment of employees’ bonuses.
The effect of this change in accounting method was to increase operating expenses of the “Japan” segment by ¥1,708 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, 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, 2006		
	Asia / Oceania	Others	Total
	(Millions of yen)		
Overseas sales, net of liquor taxes	¥181,888	¥59,797	¥241,685
Consolidated sales, net of liquor taxes	-	-	1,263,625
Percentage of overseas sales over consolidated sales	14.4%	4.7%	19.2%

	Year ended December 31, 2008		
	Asia / Oceania	Others	Total
	(Thousands of U.S. dollars) (Note 1)		
Overseas sales, net of liquor taxes	**$5,098,648**	**$1,176,645**	**$6,275,293**
Consolidated sales, net of liquor taxes	**-**	**-**	**21,123,552**

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, accounted for in the same manner as operating leases, are as follows:

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

	Year ended December 31,		Year ended December 31,
	2008	2007	**2008**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Machinery, equipment and vehicles:			
Purchase price equivalents	**¥2,690**	¥2,610	**$29,550**
Accumulated depreciation equivalents	**1,571**	1,497	**17,258**
Book value equivalents	**1,118**	1,113	**12,281**
Other property, plant and equipment (tools and equipment):			
Purchase price equivalents	**7,440**	5,131	**81,731**
Accumulated depreciation equivalents	**3,465**	2,882	**38,064**
Book value equivalents	**3,974**	2,248	**43,655**
Other intangible assets:			
Purchase price equivalents	**1,958**	-	**21,509**
Accumulated depreciation equivalents	**200**	-	**2,197**
Book value equivalents	**1,757**	-	**19,301**
Total			
Purchase price equivalents	**12,089**	7,742	**132,802**
Accumulated depreciation equivalents	**5,237**	4,379	**57,530**
Book value equivalents	**¥6,851**	¥3,362	**$75,260**

(Note) In 2008, 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,
	2008	2007	**2008**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Due within one year	**¥2,149**	¥1,367	**$23,607**
Due over one year	**4,857**	2,104	**53,356**
Total	**¥7,007**	¥3,472	**$76,974**

(Note) In 2008, 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,
	2008	2007	2006	**2008**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Lease expenses	**¥2,301**	¥1,723	¥2,167	**$25,277**
Depreciation equivalents	**2,102**	1,575	1,935	**23,091**
Interest expense equivalents	**123**	78	101	**1,351**

(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,
	2008	2007	**2008**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Due within one year	**¥4,858**	¥3,860	**$53,367**
Due over one year	**16,067**	11,856	**176,502**
Total	**¥20,926**	¥15,717	**$229,880**

21. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates at December 31, 2008 and 2007* were as follows:

	Year ended December 31,		Year ended December 31,
	2008	2007	**2008**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Investment securities (Capital stock)	**¥151,544**	¥318,064	**$1,664,769**
Investments and other assets—other (Other than capital stock)	**2,375**	805	**26,090**

*Figures for 2008 and 2007 include the cost of investment in jointly-controlled companies, amounting to ¥31,070 million ($341,316 thousand) and ¥32,985 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, 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 ($1,779 thousands)

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 ($125,848 thousand)
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 ($120,564 thousand)
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.

The Company received approval at the general meeting of shareholders held on March 26, 2009 as follows:

Dividend on Common stock

a. Total amount of dividend ¥10,975 million ($120,564 thousand)
b. Funds for dividend Retained earnings
c. Dividend per share ¥11.50
d. Record date December 31, 2008
e. Effective date March 27, 2009

The consolidated statements of changes in net assets for the year ended December 31, 2007 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, 2006	984,508,387	29,155,714
Number of shares increased during the accounting period ended December 31, 2007	-	982,492
Number of shares decreased during the accounting period ended December 31, 2007	-	359,146
Number of shares as of December 31, 2007	984,508,387	29,779,060

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. Matters related to dividends

(1) Dividend payment

Approvals by ordinary general meeting of shareholders held on March 28, 2007 were as follows:

Dividend on Common stock

a. Total amount of dividend	¥8,598 million
b. Dividend per share	¥9.00
c. Record date	December 31, 2006
d. Effective date	March 29, 2007

Approvals by the Board of Directors meeting on August 3, 2007 were as follows:

Dividend on Common stock

a. Total amount of dividend	¥8,594 million
b. Dividend per share	¥9.00
c. Record date	June 30, 2007
d. Effective date	September 10, 2007

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2007 but to be effective after the said accounting period.

The Company received approval at the general meeting of shareholders held on March 26, 2008 as follows:

Dividend on Common stock

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

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,
	2008	2007	2006	**2008**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Cash	**¥72,662**	¥55,009	¥89,483	**$798,220**
Marketable securities	**762**	246	675	**8,370**
Fixed term deposits over 3 months	**(4,204)**	(2,550)	(2,778)	**(46,182)**
Equity securities and bonds, etc. with maturities exceeding 3 months	**(762)**	(246)	(675)	**(8,370)**
Short-term loans payable (bank overdraft)	**-**	(150)	(115)	**-**
Cash and cash equivalents	**¥68,457**	¥52,307	¥86,588	**$752,026**

(b) 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,
	2008	2007	2006	**2008**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Current assets	**¥23,268**	¥55,244	¥64,285	**$255,608**
Fixed assets	**31,285**	109,453	37,480	**343,677**
Goodwill	**51,907**	164,271	2,974	**570,218**
Current liabilities	**(16,125)**	(247,001)	(34,429)	**(177,139)**
Long-term liabilities	**(15,978)**	(4,752)	(16,094)	**(175,524)**
Minority interests	**(46)**	(249)	(25,135)	**(505)**
Acquisition cost of shares	**74,311**	76,965	29,082	**816,335**
Payment during the previous year	**-**	-	2,386	**-**
Accounts payable	**(319)**	(960)	-	**(3,504)**
Cash and cash equivalents of the acquired companies	**(585)**	(5,414)	(5,215)	**(6,426)**
Payment for acquisition of shares of newly consolidated subsidiaries	**¥73,407**	¥70,589	¥26,253	**$806,404**

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

(C) 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,
	2008	2007	2006	**2008**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Current assets	**¥ 235,695**	¥ -	¥ -	**$ 2,589,201**
Fixed assets	**225,788**	-	-	**2,480,369**
Goodwill	**128,868**	-	-	**1,415,665**
Total assets	**590,352**	-	-	**6,485,246**
Current liabilities	**117,957**	-	-	**1,295,803**
Long-term liabilities	**53,964**	-	-	**592,815**
Total liabilities	**¥ 171,922**	¥ -	¥ -	$ **1,888,630**

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, 2008 and 2007 were as follows:

	December 31, 2008	December 31, 2007	December 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Deferred tax assets:			
Employees' pension and retirement benefits	**¥33,177**	¥24,029	**$364,462**
Loss carried forward	**16,138**	10,809	**177,282**
Depreciation	**13,884**	6,426	**152,521**
Deemed dividend	**9,520**	-	**104,580**
Deferred charges	**6,821**	7,312	**74,931**
Loss on impairment of fixed assets	**6,675**	5,442	**73,327**
Foreign currency translation loss of foreign subsidiaries	**6,585**	-	**72,338**
Unrealized gains on fixed assets	**-**	4,000	**-**
Other	**71,367**	47,525	**783,994**
Sub-total	**164,172**	105,547	**1,803,493**
Less valuation allowance	**(51,293)**	(19,254)	**(563,473)**
Total deferred tax assets	**112,879**	86,292	**1,240,019**
Deferred tax liabilities:			
Net unrealized holding gains on securities	**(32,121)**	(78,146)	**(352,861)**
Adjustment of book value based on fair value	**(29,973)**	-	**(329,265)**
Depreciation of foreign subsidiaries	**(16,145)**	(18,565)	**(177,359)**
Reserve for deferred gains on sale of property	**(12,695)**	(10,018)	**(139,459)**
Prepaid pension cost	**(7,093)**	(6,196)	**(77,919)**
Temporary differences related to investments to consolidated subsidiaries	**(5,495)**	-	**(60,364)**
Other	**(7,602)**	(7,474)	**(83,510)**
Total deferred tax liabilities	**(111,126)**	(120,401)	**(1,220,762)**
Net deferred tax liabilities	**1,752**	(34,109)	**19,246**
Deferred tax asset due to land revaluation:			
Deferred tax asset due to land revaluation	**617**	617	**6,777**
Less valuation allowance	**(617)**	(617)	**(6,777)**
Total deferred tax asset due to land revaluation	**-**	-	**-**
Deferred tax liability due to land revaluation:			
Deferred tax liability due to land revaluation	**(1,471)**	(1,471)	**(16,159)**
Net deferred tax liability due to land revaluation	**¥(1,471)**	¥(1,471)	**$(16,159)**

Deferred tax assets and liabilities were included in the consolidated balance sheets as of December 31, 2008 and 2007 as follows:

	December 31, 2008	December 31, 2007	December 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Current assets — Deferred tax assets	**¥22,991**	¥19,906	**$252,565**
Fixed assets — Deferred tax assets	**34,700**	34,583	**381,193**
Current liabilities — Other	**(158)**	(270)	**(1,735)**
Long-term liabilities — Deferred tax liabilities	**(55,780)**	(88,329)	**(612,765)**

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 currency forward contracts, currency option contracts, currency swap contracts, interest rate future contracts, interest rate option contracts, interest rate swap contracts, commodity swap contracts, commodity option contracts and commodity forward contracts.

Interest rate derivatives such as interest rate future, interest rate option and interest rate swap are utilized to hedge fluctuation risk of interest rates with respect to loans receivable and loans payable.

In 2008, currency derivatives such as currency forwards, 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.
In 2007, currency derivatives such as currency forwards, 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 the issue of bonds and others in foreign currencies.

Commodity derivatives such as commodity swaps, commodity options and commodity forwards are utilized to hedge fluctuation risk of the price of raw materials and others on purchase transactions.

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, and the price of raw materials and others. 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, 2008				**Year ended December 31, 2008**			
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	**¥2,231**	**¥ -**	**¥2,080**	**¥151**	**$24,508**	**$ -**	**$22,849**	**$1,658**
	Euro	**2,386**	**-**	**2,388**	**(1)**	**26,211**	**-**	**26,233**	**(10)**
	Yen	**262**	**-**	**313**	**(50)**	**2,878**	**-**	**3,438**	**(549)**
	Currency swap								
	Receive yen pay Australian dollar	**73,887**	**61,047**	**23,541**	**23,541**	**811,677**	**670,625**	**258,607**	**258,607**
	Receive yen pay US dollar	**4,072**	**-**	**(5)**	**(5)**	**44,732**	**-**	**(54)**	**(54)**
Total		**¥ 82,841**	**¥61,047**	**¥28,317**	**¥ 23,635**	**$910,040**	**$670,625**	**$311,073**	**$259,639**

(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, 2008				**Year ended December 31, 2008**			
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	**¥1,041**	**¥1,041**	**¥(10)**	**¥(10)**	**$11,435**	**$11,435**	**$(109)**	**$(109)**
	Receive floating, pay fixed	**1,041**	**1,041**	**(9)**	**(9)**	**11,435**	**11,435**	**(98)**	**(98)**
	Receive floating, pay floating	**2,000**	**-**	**2**	**2**	**21,970**	**-**	**21**	**21**
	Interest rate cap								
	Buy	**14,179**	**1,657**	**6**	**6**	**155,761**	**18,202**	**65**	**65**
	Interest rate floor								
	Sell	**26,701**	**1,657**	**(693)**	**(693)**	**293,320**	**18,202**	**(7,612)**	**(7,612)**
	Buy	**12,522**	**-**	**255**	**255**	**137,559**	**-**	**2,801**	**2,801**
Total		**¥57,486**	**¥5,398**	**¥(448)**	**¥(448)**	**$631,506**	**$59,299**	**$(4,921)**	**$(4,921)**

Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		Year ended December 31, 2007 (Millions of yen)			
Non-market transactions	Interest rate swap				
	Receive fixed, pay floating	¥ 1,308	¥ 1,308	¥ (71)	¥ (71)
	Receive floating, pay fixed	11,326	1,308	70	70
	Receive floating, pay floating	2,000	2,000	4	4
	Interest rate cap				
	Buy	2,033	2,033	26	26
	Interest rate floor				
	Sell	2,033	2,033	(2)	(2)
Total		¥ 18,701	¥ 8,683	¥ 26	¥ 26

(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.

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, 2008 and 2007 consisted of the following:

	December 31,		December 31,
	2008	2007	**2008**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Projected benefit obligation	**¥(313,911)**	¥(246,583)	**$(3,448,434)**
Fair value of plan assets	**177,442**	171,200	**1,949,269**
Unfunded pension obligation	**(136,468)**	(75,383)	**(1,499,154)**
Unrecognized actuarial differences	**73,132**	34,229	**803,383**
Unrecognized prior service cost (deduction of obligation)	**(3,693)**	(4,136)	**(40,569)**
Net of employees' pension and retirement benefit obligation	**(67,030)**	(45,290)	**(736,350)**
Prepaid pension cost	**15,674**	14,897	**172,184**
Employees' pension and retirement benefits	**¥(82,704)**	¥(60,188)	**$(908,535)**

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, 2008, 2007 and 2006 were employees' pension and retirement benefit expenses comprising the following:

	December 31,			December 31,
	2008	2007	2006	**2008**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Service cost	**¥10,428**	¥7,930	¥7,747	**$114,555**
Interest cost	**7,048**	5,770	5,671	**77,425**
Expected return on plan assets	**(5,329)**	(4,471)	(4,001)	**(58,541)**
Amortization of actuarial differences	**4,423**	3,438	2,846	**48,588**
Amortization of prior service cost	**(442)**	(439)	(120)	**(4,855)**
Premium for defined contribution pension plan	**2,515**	2,343	1,429	**27,628**
Employees' pension and retirement benefit expenses	**18,643**	14,572	13,572	**204,800**
Loss due to the change in the pension and retirement benefit plans	**-**	-	2,126	**-**
Total	**¥18,643**	¥14,572	¥15,698	**$204,800**

Employees' contribution to the defined benefit corporate pension plan and others is excluded for the years ended December 31, 2008, 2007 and 2006. Employees' pension and retirement benefit expenses of consolidated subsidiaries using the simplified method are included for the years ended December 31, 2008, 2007 and 2006.

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 ¥ 3,208 million ($35,241 thousand) and as "Loss on liquidation of business" in special expenses, amounting to 799 million ($8,777 thousand). For the years ended December 31, 2007 and 2006, such premium was recognized and included in "Business restructuring expense" in special expense, amounting to ¥28 million and ¥584 million, respectively.

Assumptions used for the years ended December 31, 2008, 2007 and 2006 were set forth as follows:

	December 31,		
	2008	2007	2006
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 13-15 years	Mainly 15 years
Amortization of unrecognized actuarial differences	**Mainly 10-15 years**	Mainly 13-15 years	Mainly 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

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 ($747 thousand)

3. 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 ($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 20, 2007	¥1 ($0.010)
2008 Stock Option	6 directors 14 managing officers	Common stock 91,000 shares	June 25, 2008	¥1 ($0.010)

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, 2008	December 31, 2007	December 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Difference between the fair value and carrying amount of the revalued land	**¥4,763**	¥5,122	**$52,323**

30. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2008

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

For the year ended December 31, 2007

Group companies

Attribute	Name	Domicile	Capitalization	Nature of operation	Equity ownership by the Company	Relationship: Interlocking of directors	Relationship: Operational relationship	Nature of transaction	Trading amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Affiliate	SAN MIGUEL CORPORATION	Metro-Manila, the Philippines	16,109 million pesos	Manufacturing and sales of beer	19.9% direct	Interlocking: 1 Seconded: 2	–	Lending funds	37,000	Short-term loan	–

Note: Loan interest rates are decided rationally with due consideration of market interest rates.

31. BUSINESS COMBINATIONS

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 excuted 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	($2,983,049 thousand)
Expenditure directly required for acquisition		
Advisory fees etc.	¥1,195 million	($13,127 thousand)
Acquisition cost	¥272,743 million	($2,996,188 thousand)

The above amount listed as consideration paid on acquisition includes not only ¥105,980 million ($1,164,231 thousand) 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, ($19,773) thousand]. 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 ($1,164,231 thousand)

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

(a) Amount of goodwill

¥128,868 million ($1,415,665 thousand)

(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	($2,589,201 thousand)
Fixed assets	¥225,788 million	($2,480,369 thousand)
Total assets	¥461,484 million	($5,069,581 thousand)
Current liabilities	¥117,957 million	($1,295,803 thousand)
Long-term liabilities	¥53,964 million	($592,815 thousand)
Total liabilities	¥171,922 million	($1,888,630 thousand)

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	($1,037,438 thousand)
Operating income	¥5,373 million	($59,024 thousand)
Ordinary income	¥4,877 million	($53,575 thousand)
Income before income taxes and minority interests	(¥1,057) million	[($11,611) thousand]
Net income	(¥666) million	[($7,316) thousand]
Net income per share	(¥0.70)	[($0.0076)]

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.

For the year ended December 31, 2007

Kirin Holdings (Australia) Pty Ltd, a 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.

¥165,500 million of goodwill was recorded for the fiscal year by this consolidation of Kirin Foods Australia and its subsidiaries. The procedure of allocation of acquisition cost had not been completed as of the filing date of the securities report.

32. SUBSEQUENT EVENTS

Sale of Shares in San Miguel Corporation and Share Acquisition in San Miguel Brewery, Inc.

On February 20, 2009, the Board of Directors of the Company made a resolution to sell entire shares in San Miguel Corporation (SMC) which is an affiliated company accounted for by the equity method to Q-Tech Alliance Holdings, Inc.
On the same date, the Company and Q-Tech Alliance Holdings, Inc. have entered into a Share Sale Agreement, and the Company and SMC have entered into a Share Purchase Agreement by which the Company purchases the shares in San Miguel Brewery (SMB), Inc., a domestic beer business subsidiary of SMC in the Philippines.

Purpose of Sale of SMC shares and Acquisition of SMB Shares

The Group's long-term business vision, as outlined in "Kirin Group Vision 2015 (KV2015)", is to be a leading company in the domains of food and health in Asia and Oceania. Through the sale of SMC shares and the purchase of SMB shares, the Company will be able to focus its investment in the alcohol beverages business in Asia and Oceania.

Summary of the Sale of SMC Shares

1. Purchaser
   Q-Tech Alliance Holdings, Inc.

2. Timing of sale
   The end of May, 2009 (expected)

3. Number of shares to be sold
   628,666,675 shares
   (19.91% of the issued and outstanding SMC shares (i))

4. Sale price
   Php39,606 million (Php63 per share)

5. Loss on sales
   ¥26.0 billion (estimate) ($285,620 million (estimate))

Summary of the Acquisition of SMB Shares

1. Seller
   SMC

2. Name, business, and size of a company to acquire
   Name: San Miguel Brewery, Inc.
   Business: Sales of beer products in the Philippines
   Sales: Php48,787 million (for the fiscal year ended December 31, 2008)
   Total assets: Php24,634 million (as of December 31, 2008)

3. Timing of acquisition
   Acquisitions will be made in two phases in April and May 2009(expected)

4. Number of shares to be acquired
   6,665,023,690 shares
   (43.249% of the issued and outstanding shares (i))
   Note that San Miguel Brewery, Inc. is scheduled to be an equity-method affiliate by the acquisition.

5. Acquisition price
   Php58,925 million (Php8.841 per share)

6. Source of financing and payment plan
   Funds from sale of SMC shares and borrowings from third parties, etc.

(i) Based on the number of shares as of December 31, 2008.

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, 2008 and 2007, 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, 2008, 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
(1) As discussed in Note 19 to the consolidated financial statements, in accordance with this revision of the group's management structure, 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. And during this same time, the "Soft Drinks" segment was renamed "Soft Drinks and Foods".
(2) As discussed in Note 32 to the consolidated financial statements, on February 20, 2009, the Board of Directors of the Company made a resolution to sell entire shares in San Miguel Corporation which is an affiliated company accounted for by the equity method to Q-Tech alliance Holdings, Inc. On the same date, the Company and Q-Tech alliance Holdings, Inc. have entered into a Share Sale Agreement, and the Company and San Miguel Corporation have entered into a Share Purchase Agreement by which the Company purchases the shares in San Miguel Brewery, Inc.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2008 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, 2009