KIRIN HOLDINGS COMPANY, LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
TOGETHER WITH INDEPENDENT AUDITOR’S REPORT

Consolidated Balance Sheets

Kirin Holdings Company, Limited and Consolidated Subsidiaries
As of December 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2015**	2014	**2015**
Current assets			
Cash and time deposits (Notes 18 and 20)	**¥ 66,465**	¥ 49,450	**$ 551,073**
Notes and accounts receivable, trade (Note 20)	**397,692**	408,709	**3,297,338**
Merchandise and finished goods	**153,901**	161,391	**1,276,021**
Work in process	**25,482**	35,670	**211,276**
Raw materials and supplies	**48,343**	49,203	**400,820**
Deferred tax assets (Note 19)	**29,396**	29,854	**243,727**
Other	**65,133**	71,170	**540,029**
Allowance for doubtful accounts	**(4,479)**	(3,620)	**(37,136)**
Total current assets	**781,933**	801,830	**6,483,152**
Non-current assets			
Property, plant and equipment (Notes 3 and 4)			
(Net of accumulated depreciation and accumulated loss on impairment)			
Buildings and structures	**215,260**	229,511	**1,784,760**
Machinery, equipment and vehicles	**234,980**	251,530	**1,948,262**
Land (Note 24)	**167,579**	185,516	**1,389,428**
Construction in progress	**52,671**	92,008	**436,705**
Other	**41,272**	39,830	**342,193**
Total	**711,763**	798,398	**5,901,359**
Intangible assets			
Goodwill	**269,215**	642,470	**2,232,111**
Other	**189,331**	206,886	**1,569,778**
Total	**458,546**	849,356	**3,801,890**
Investments and other assets			
Investment securities (Notes 3, 12, 15 and 20)	**408,888**	403,467	**3,390,166**
Net defined benefit asset (Note 22)	**9,891**	6,830	**82,008**
Deferred tax assets (Note 19)	**27,097**	49,380	**224,666**
Other (Note 15)	**50,968**	61,848	**422,585**
Allowance for doubtful accounts	**(5,317)**	(5,243)	**(44,084)**
Total	**491,528**	516,283	**4,075,350**
Total non-current assets	**1,661,839**	2,164,038	**13,778,617**
Total assets	**¥2,443,773**	¥2,965,868	**$20,261,777**

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities			
Notes and accounts payable, trade (Note 20)	**¥ 142,052**	¥ 160,106	**$ 1,177,779**
Short-term loans payable and long-term debt with current maturities (Notes 3 and 20)	**128,160**	99,096	**1,062,598**
Commercial paper (Notes 3 and 20)	**-**	83,994	**-**
Bonds due within one year (Notes 3 and 20)	**30,000**	51,832	**248,735**
Liquor taxes payable (Note 20)	**84,904**	83,400	**703,954**
Income taxes payable (Note 20)	**20,281**	12,154	**168,153**
Allowance for employees' bonuses	**5,460**	5,322	**45,269**
Allowance for bonuses for directors and company auditors	**87**	199	**721**
Accrued expenses	**120,475**	132,235	**998,880**
Other	**134,490**	156,329	**1,115,081**
Total current liabilities	**665,913**	784,671	**5,521,208**
Non-current liabilities			
Bonds (Notes 3 and 20)	**194,991**	209,988	**1,616,706**
Long-term debt (Notes 3 and 20)	**403,952**	359,012	**3,349,241**
Deferred tax liabilities (Note 19)	**55,899**	74,865	**463,469**
Deferred tax liability due to land revaluation (Notes 19 and 24)	**1,167**	1,286	**9,675**
Retirement benefits for directors and company auditors	**243**	256	**2,014**
Reserve for repairs and maintenance of vending machines	**2,964**	3,550	**24,575**
Reserve for environmental measures	**1,036**	1,019	**8,589**
Reserve for loss on litigation	**18,018**	25,116	**149,390**
Allowance for loss on plants reorganization	**3,203**	3,304	**26,556**
Net defined benefit liability (Note 22)	**59,034**	60,483	**489,461**
Deposits received (Notes 3 and 20)	**56,701**	61,212	**470,118**
Other	**42,563**	45,388	**352,897**
Total non-current liabilities	**839,775**	845,485	**6,962,731**
Total liabilities	**1,505,689**	1,630,157	**12,483,948**
Net assets			
Shareholders' equity (Notes 16 and 17)			
Common stock			
Authorized - 1,732,026,000 shares in 2015 and 2014			
Issued - 914,000,000 shares in 2015 and 965,000,000 shares in 2014	**102,045**	102,045	**846,074**
Capital surplus	**-**	81,417	**-**
Retained earnings	**545,711**	848,381	**4,524,591**
Treasury stock, at cost			
1,471,032 shares in 2015 and 52,452,089 shares in 2014	**(2,103)**	(74,797)	**(17,436)**
Total shareholders' equity	**645,653**	957,047	**5,353,229**
Accumulated other comprehensive income			
Net unrealized gains on securities	**59,836**	49,556	**496,111**
Deferred gains or losses on hedges	**2,396**	827	**19,865**
Land revaluation difference (Note 24)	**(2,020)**	(2,140)	**(16,748)**
Foreign currency translation adjustments	**(28,468)**	110,259	**(236,033)**
Remeasurements of defined benefit plans (Note 22)	**(13,555)**	(13,716)	**(112,387)**
Total accumulated other comprehensive income	**18,188**	144,786	**150,800**
Subscription rights to shares	**430**	332	**3,565**
Minority interests	**273,810**	233,544	**2,270,209**
Total net assets	**938,083**	1,335,711	**7,777,821**
Total liabilities and net assets	**¥2,443,773**	¥2,965,868	**$20,261,777**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries
For the years ended December 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Sales	**¥2,196,925**	¥2,195,795	**$18,215,114**
Less liquor taxes	**305,697**	301,365	**2,534,590**
Net sales	**1,891,227**	1,894,429	**15,680,515**
Cost of sales	**923,156**	950,949	**7,654,058**
Gross profit	**968,071**	943,480	**8,026,457**
Selling, general and administrative expenses (Note 6)	**843,320**	828,930	**6,992,123**
Operating income	**124,751**	114,549	**1,034,333**
Non-operating income			
Interest income	**2,776**	3,881	**23,016**
Dividend income	**3,762**	2,532	**31,191**
Equity in earnings of affiliates	**16,160**	2,925	**133,985**
Other (Note 9)	**7,156**	6,406	**59,331**
Total	**29,856**	15,746	**247,541**
Non-operating expenses			
Interest expense	**20,067**	24,378	**166,379**
Net foreign currency translation loss (Note 9)	**2,851**	-	**23,638**
Other	**3,488**	11,707	**28,919**
Total	**26,408**	36,085	**218,953**
Ordinary income	**128,199**	94,211	**1,062,921**
Special income			
Gain on sale of property, plant and equipment and intangible assets (Note 7)	**19,454**	7,333	**161,296**
Gain on sale of investment securities (Note 12)	**6,810**	179	**56,462**
Other	**2,933**	1,155	**24,318**
Total	**29,198**	8,668	**242,086**
Special expenses			
Loss on disposal of property, plant and equipment and intangible assets (Note 7)	**3,162**	3,260	**26,216**
Loss on sale of property, plant and equipment and intangible assets (Note 7)	**878**	728	**7,279**
Loss on impairment (Note 8)	**123,385**	2,638	**1,023,008**
Loss on devaluation of investment securities (Note 12)	**34**	3	**281**
Loss on sale of investment securities (Note 12)	**-**	1,656	**-**
Business restructuring expense (Note 10)	**8,803**	12,048	**72,987**
Other	**3,710**	4,664	**30,760**
Total	**139,975**	25,000	**1,160,558**
Income before income taxes and minority interests	**17,422**	77,879	**144,449**
Income taxes－current	**46,457**	40,240	**385,183**
Income taxes－deferred	**(544)**	(7,220)	**(4,510)**
Total	**45,913**	33,019	**380,673**
Income (loss) before minority interests	**(28,491)**	44,859	**(236,224)**
Minority interests	**18,837**	12,466	**156,181**
Net income (loss)	**¥ (47,329)**	¥ 32,392	**$ (392,413)**

	Yen		U.S. dollars (Note 1)
Net income (loss) per share			
Basic	**¥ (51.87)**	¥ 35.27	**$ (0.43)**
Diluted	**-**	35.24	**-**
Cash dividends per share applicable to the year	**38.00**	38.00	**0.31**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Income (loss) before minority interests	**¥ (28,491)**	¥44,859	**$ (236,224)**
Other comprehensive income (Note 11)			
Net unrealized gains on securities	**10,386**	5,682	**86,112**
Deferred gains or losses on hedges	**1,569**	698	**13,008**
Land revaluation difference	**119**	-	**986**
Foreign currency translation adjustments	**(106,614)**	47,418	**(883,956)**
Remeasurements of defined benefit plans	**(273)**	-	**(2,263)**
Share of other comprehensive income of entities accounted for by the equity method	**4,695**	13,704	**38,927**
Total other comprehensive income	**(90,116)**	67,504	**(747,168)**
Comprehensive income	**¥(118,607)**	¥112,364	**$ (983,392)**
Comprehensive income attributable to:			
Owners of the parent	**¥(135,126)**	¥94,548	**$(1,120,354)**
Minority interests	**16,518**	17,815	**136,953**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Kirin Holdings Company, Limited and Consolidated Subsidiaries
For the years ended December 31, 2015 and 2014

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2014	¥102,045	¥81,417	¥850,511	¥ (53,903)	¥980,071
Changes of items during the period					
Dividends from surplus (Note 17)	-	-	(34,081)	-	(34,081)
Net income	-	-	32,392	-	32,392
Acquisition of treasury stock (Note 17)	-	-	-	(20,898)	(20,898)
Disposal of treasury stock (Note 17)	-	(0)	-	4	4
Reversal of land revaluation difference (Note 24)	-	-	(441)	-	(441)
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	(0)	(2,129)	(20,894)	(23,024)
Balance as of January 1, 2015	**¥102,045**	**¥81,417**	**¥848,381**	**¥(74,797)**	**¥957,047**
Cumulative effects of changes in accounting policies (Note 1)	**-**	**(81,417)**	**(147,697)**	**-**	**(229,115)**
Restated balance as of January 1, 2015	**¥102,045**	**¥ -**	**¥700,683**	**¥ (74,797)**	**¥727,931**
Changes of items during the period					
Dividends from surplus (Note 17)	-	-	**(34,676)**	-	**(34,676)**
Net loss	-	-	**(47,329)**	-	**(47,329)**
Acquisition of treasury stock (Note 17)	-	-	-	**(34)**	**(34)**
Disposal of treasury stock (Note 17)	-	**0**	-	**2**	**3**
Retirement of treasury stock (Note 17)	-	**(72,726)**	-	**72,726**	-
Transfer to capital surplus from retained earnings	-	**72,897**	**(72,897)**	-	-
Increase by merger	-	-	**8**	-	**8**
Change of scope of equity method	-	-	**(76)**	-	**(76)**
Change in shareholders' interest due to transaction with minority interest	-	**(136)**	-	-	**(136)**
Capital increase of consolidated subsidiaries	-	**(35)**	-	-	**(35)**
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	-	**(154,971)**	**72,693**	**(82,277)**
Balance as of December 31, 2015	**¥102,045**	**¥ -**	**¥545,711**	**¥ (2,103)**	**¥645,653**

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen								
	Accumulated other comprehensive income								
	Net unrealized gains on securities	Deferred gains or losses on hedges	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of January 1, 2014	¥44,506	¥ 128	¥(2,581)	¥ 53,737	¥ -	¥ 95,790	¥306	¥224,558	¥1,300,726
Changes of items during the period									
Dividends from surplus (Note 17)	-	-	-	-	-	-	-	-	(34,081)
Net income	-	-	-	-	-	-	-	-	32,392
Acquisition of treasury stock (Note 17)	-	-	-	-	-	-	-	-	(20,898)
Disposal of treasury stock (Note 17)	-	-	-	-	-	-	-	-	4
Reversal of land revaluation difference (Note 24)	-	-	-	-	-	-	-	-	(441)
Net changes of items other than shareholders' equity	5,050	698	441	56,522	(13,716)	48,996	26	8,985	58,008
Total changes of items during the period	5,050	698	441	56,522	(13,716)	48,996	26	8,985	34,984
Balance as of January 1, 2015	¥49,556	¥ 827	¥(2,140)	¥110,259	¥ (13,716)	¥144,786	¥332	¥233,544	¥1,335,711
Cumulative effects of changes in accounting policies (Note 1)	-	-	-	(39,191)	-	(39,191)	-	169	(268,137)
Restated balance as of January 1, 2015	¥49,556	¥ 827	¥ (2,140)	¥ 71,068	¥ (13,716)	¥105,595	¥332	¥233,713	¥1,067,573
Changes of items during the period									
Dividends from surplus (Note 17)	-	-	-	-	-	-	-	-	(34,676)
Net loss	-	-	-	-	-	-	-	-	(47,329)
Acquisition of treasury stock (Note 17)	-	-	-	-	-	-	-	-	(34)
Disposal of treasury stock (Note 17)	-	-	-	-	-	-	-	-	3
Retirement of treasury stock (Note 17)	-	-	-	-	-	-	-	-	-
Transfer to capital surplus from retained earnings	-	-	-	-	-	-	-	-	-
Increase by merger	-	-	-	-	-	-	-	-	8
Change of scope of equity method	-	-	-	-	-	-	-	-	(76)
Change in shareholders' interest due to transaction with minority interest	-	-	-	-	-	-	-	-	(136)
Capital increase of consolidated subsidiaries	-	-	-	-	-	-	-	-	(35)
Net changes of items other than shareholders' equity	10,280	1,569	119	(99,537)	161	(87,406)	97	40,097	(47,212)
Total changes of items during the period	10,280	1,569	119	(99,537)	161	(87,406)	97	40,097	(129,490)
Balance as of December 31, 2015	¥59,836	¥ 2,396	¥(2,020)	¥ (28,468)	¥ (13,555)	¥ 18,188	¥430	¥273,810	¥ 938,083

The accompanying notes are an integral part of these consolidated financial statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2015	**$846,074**	**$675,043**	**$7,034,085**	**$(620,155)**	**$7,935,055**
Cumulative effects of changes in accounting policies (Note 1)	**-**	**(675,043)**	**(1,224,583)**	**-**	**(1,899,635)**
Restated balance as of January 1, 2015	**$846,074**	**$**	**$5,809,493**	**$ (620,155)**	**$6,035,411**
Changes of items during the period					
Dividends from surplus (Note 17)	**-**	**-**	**(287,505)**	**-**	**(287,505)**
Net loss	**-**	**-**	**(392,413)**	**-**	**(392,413)**
Acquisition of treasury stock (Note 17)	**-**	**-**	**-**	**(281)**	**(281)**
Disposal of treasury stock (Note 17)	**-**	**0**	**-**	**16**	**24**
Retirement of treasury stock (Note 17)	**-**	**(602,984)**	**-**	**602,984**	**-**
Transfer to capital surplus from retained earnings	**-**	**604,402**	**(604,402)**	**-**	**-**
Increase by merger	**-**	**-**	**66**	**-**	**66**
Change of scope of equity method	**-**	**-**	**(630)**	**-**	**(630)**
Change in shareholders' interest due to transaction with minority interest	**-**	**(1,127)**	**-**	**-**	**(1,127)**
Capital increase of consolidated subsidiaries	**-**	**(290)**	**-**	**-**	**(290)**
Net changes of items other than shareholders' equity	**-**	**-**	**-**	**-**	**-**
Total changes of items during the period	**-**	**-**	**(1,284,893)**	**602,711**	**(682,173)**
Balance as of December 31, 2015	**$846,074**	**$ -**	**$4,524,591**	**$ (17,436)**	**$5,353,229**

	Thousands of U.S. dollars (Note 1)								
	Accumulated other comprehensive income								
	Net unrealized gains on securities	Deferred gains or losses on hedges	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of January 1, 2015	**$410,878**	**$ 6,856**	**$(17,743)**	**$ 914,177**	**$(113,721)**	**$1,200,447**	**$2,752**	**$1,936,356**	**$11,074,628**
Cumulative effects of changes in accounting policies (Note 1)	**-**	**-**	**-**	**(324,939)**	**-**	**(324,939)**	**-**	**1,401**	**(2,223,173)**
Restated balance as of January 1, 2015	**$410,878**	**$ 6,856**	**$(17,743)**	**$ 589,238**	**$(113,721)**	**$ 875,507**	**$2,752**	**$1,937,758**	**$8,851,446**
Changes of items during the period									
Dividends from surplus (Note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(287,505)**
Net loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(392,413)**
Acquisition of treasury stock (Note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(281)**
Disposal of treasury stock (Note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24**
Retirement of treasury stock (Note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to capital surplus from retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase by merger	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**66**
Change of scope of equity method	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(630)**
Change in shareholders' interest due to transaction with minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,127)**
Capital increase of consolidated subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(290)**
Net changes of items other than shareholders' equity	**85,233**	**13,008**	**986**	**(825,279)**	**1,334**	**(724,699)**	**804**	**332,451**	**(391,443)**
Total changes of items during the period	**85,233**	**13,008**	**986**	**(825,279)**	**1,334**	**(724,699)**	**804**	**332,451**	**(1,073,625)**
Balance as of December 31, 2015	**$496,111**	**$19,865**	**$(16,748)**	**$(236,033)**	**$(112,387)**	**$ 150,800**	**$3,565**	**$2,270,209**	**$7,777,821**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 17,422**	¥ 77,879	**$ 144,449**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**94,603**	98,914	**784,371**
Loss on impairment	**123,385**	2,638	**1,023,008**
Amortization of goodwill	**27,323**	49,686	**226,540**
Contribution to retirement benefit trust	**-**	(19,000)	**-**
Interest and dividend income	**(6,538)**	(6,413)	**(54,207)**
Equity in (earnings) losses of affiliates	**(16,160)**	(2,925)	**(133,985)**
Interest expense	**20,067**	24,378	**166,379**
Gain on sale of property, plant and equipment and intangible assets	**(19,454)**	(7,333)	**(161,296)**
Loss on disposal and sale of property, plant and equipment and intangible assets	**3,168**	2,917	**26,266**
Gain on sale of investment securities	**(6,810)**	(179)	**(56,462)**
(Increase) decrease in notes and accounts receivable, trade	**(6,942)**	(10,886)	**(57,557)**
(Increase) decrease in inventories	**(5,058)**	(14,261)	**(41,936)**
Increase (decrease) in notes and accounts payable, trade	**(4,978)**	(270)	**(41,273)**
Increase (decrease) in liquor taxes payable	**1,852**	580	**15,355**
Increase (decrease) in consumption taxes payable	**(8,785)**	4,644	**(72,838)**
Increase (decrease) in deposits received	**(2,872)**	7,484	**(23,812)**
Other	**(11,292)**	10,837	**(93,624)**
Sub-total	**198,927**	218,690	**1,649,340**
Interest and dividends received	**18,136**	14,627	**150,368**
Interest paid	**(13,114)**	(14,945)	**(108,730)**
Income taxes paid	**(32,938)**	(63,125)	**(273,095)**
Net cash provided by operating activities	**171,011**	155,247	**1,417,884**
Cash flows from investing activities			
Payment for purchases of property, plant and equipment and intangible assets	**(77,116)**	(120,480)	**(639,383)**
Proceeds from sale of property, plant and equipment and intangible assets	**32,332**	12,999	**268,070**
Proceeds from transfer of business	**12,809**	-	**106,201**
Payment for acquisition of marketable securities and investment securities	**(10,653)**	(26,670)	**(88,326)**
Proceeds from sale and redemption of marketable securities and investment securities	**19,868**	1,746	**164,729**
Payment for purchases of shares of subsidiaries	**-**	(5)	**-**
Payment for acquisition of shares of newly consolidated subsidiaries (Note 18)	**(52,877)**	(14,510)	**(438,413)**
Proceeds from sale of shares of subsidiaries excluded from the scope of consolidation	**-**	364	**-**
Other	**4,977**	7,159	**41,265**
Net cash used in investing activities	**(70,659)**	(139,397)	**(585,846)**
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	**(13,118)**	(7,847)	**(108,763)**
Increase (decrease) in commercial paper	**(83,994)**	83,994	**(696,409)**
Proceeds from long-term debt	**170,158**	67,313	**1,410,811**
Repayment of long-term debt	**(63,070)**	(132,595)	**(522,925)**
Proceeds from issuance of bonds	**15,000**	-	**124,367**
Payment for redemption of bonds	**(58,886)**	(30,000)	**(488,234)**
Payment for acquisition of treasury stock	**(246)**	(19,778)	**(2,039)**
Cash dividends paid	**(34,676)**	(34,081)	**(287,505)**
Cash dividends paid to minority shareholders	**(6,495)**	(6,555)	**(53,851)**
Other	**(2,889)**	(1,150)	**(23,953)**
Net cash used in financing activities	**(78,221)**	(80,701)	**(648,544)**
Effect of exchange rate changes on cash and cash equivalents	**(2,326)**	109	**(19,285)**
Net increase (decrease) in cash and cash equivalents	**19,804**	(64,741)	**164,198**
Cash and cash equivalents at beginning of year	**40,730**	105,472	**337,700**
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	**(197)**	-	**(1,633)**
Cash and cash equivalents at end of year (Note 18)	**¥ 60,336**	¥ 40,730	**$ 500,257**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2015 and 2014

1. BASIS OF PRESENTATION OF 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 (“IFRS”).

The accompanying consolidated financial statements have been prepared by using the accounts of consolidated foreign subsidiaries prepared in accordance with either IFRS or accounting principles generally accepted in the United States, together with adjustment for certain items which are required to be adjusted in the consolidation process. 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 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 in the accompanying consolidated financial statements are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on December 31, 2015, which was ¥120.61 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.

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.

The number of consolidated subsidiaries as of December 31, 2015 was 211.

Major consolidated subsidiaries as of December 31, 2015 were as follows:
Kirin Co., Ltd., Kirin Brewery Co., Ltd., Kirin Beer Marketing Co., Ltd., Mercian Corporation, Kirin Beverage Co., Ltd., Kirin Beverage Value Vendor Co., Ltd., Lion Pty Ltd, Brasil Kirin Holding S.A., Kyowa Hakko Kirin Co., Ltd.

Changes in the scope of consolidation during the fiscal year ended December 31, 2015 are as follows:

(a) Due to new establishment, 1 subsidiary of Kirin Brewery Co., Ltd. became a consolidated subsidiary.
(b) Due to new acquisition, Myanmar Brewery Limited became a consolidated subsidiary.
(c) Due to incorporation-type company split, Kirin Beverage Value Vendor Co., Ltd. became a consolidated subsidiary.
(d) Due to liquidation, 1 subsidiary of Kyowa Hakko Kirin Co., Ltd., and 1 subsidiary of Lion Pty Ltd were excluded from the consolidation scope.
(e) Due to mergers, 1 subsidiary of Kirin Beverage Co., Ltd., 2 subsidiaries of Lion Pty Ltd, and 2 subsidiaries of Kyowa Hakko Kirin Co., Ltd. were excluded from the consolidation scope.
(f) Due to a decrease in materiality, Siam Kirin Beverage Co., Ltd. was excluded from the consolidation scope.

Certain subsidiaries, including Chiyoda Transportation Co., Ltd., are excluded from the scope of consolidation because the effect of their sales, total assets, and the Company’s share of their net income or losses, and retained earnings on the accompanying consolidated financial statement is immaterial.

The fiscal year-end of Lion Pty Ltd and its subsidiaries, and Myanmar Brewery Limited are September 30 and March 31, respectively.
For Lion Pty Ltd and its subsidiaries, the Company used the financial statements as of their fiscal year-end and for the year then ended for consolidation. For Myanmar Brewery Limited, the Company used the financial statements based on provisional settlement as of the fiscal year end, September 30, of its intermediate parent company, Kirin Holdings Singapore Pte. Ltd. The Company made necessary adjustments for major inter-company transactions between September 30 and December 31.
The Company set the deemed date for the acquisition of Myanmar Brewery Limited as September 30, 2015 and consolidated the subsidiary based on the financial statements as of the same date. Therefore, the consolidated financial statements do not include the subsidiary's result of operations and only include its balance sheet.

(2) EQUITY METHOD
Investments in 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 of the investments after elimination of unrealized inter-company profits and losses from the date of acquisition of shares.

Differences between the acquisition costs and the underlying net equities of investments in unconsolidated subsidiaries and affiliates are included in investment securities 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.

There was no unconsolidated subsidiary accounted for by the equity method as of December 31, 2015 and the number of affiliates accounted for by the equity method as of December 31, 2015 was 15.

Major affiliates which are accounted for by the equity method at December 31, 2015 are as follows:
San Miguel Brewery Inc., China Resources Kirin Beverages (Greater China) Co., Ltd., Kirin-Amgen, Inc.

Changes in the scope of entities accounted for by the equity method during the fiscal year ended December 31, 2015 are as follows:
(a) Due to new establishment, 1 affiliate of Kyowa Hakko Kirin Co., Ltd. became an affiliate accounted for by the equity method.
(b) Due to sale of shares, Yokohama Akarenga Inc. and 1 affiliate of Kirin Holdings USA were excluded from the scope of application of the equity method.

Certain investments in unconsolidated subsidiaries, including Chiyoda Transportation Co., Ltd., 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 the Company's share of their net income or losses and retained earnings on the accompanying consolidated financial statements is immaterial individually and as a whole.

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

The Company accounts for San Miguel Brewery Inc. and China Resources Kirin Beverages (Greater China) Co., Ltd. (fiscal year ended December 31) by the equity method. It is difficult for the Company to prepare its consolidated financial statements based on the final year-end figures of the above two companies due to the early disclosure of the consolidated business performance. As such, their financial statements are based on 12 months from the fourth quarter of the previous fiscal year to the third quarter of this fiscal year.

(3) FOREIGN CURRENCY TRANSLATION
(a) Translation of accounts
Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. 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
Assets and liabilities in balance sheets of consolidated foreign subsidiaries are translated into Japanese yen at the year-end rate. Income statements of consolidated foreign subsidiaries are translated at the average rates. Exchange differences arising from the translation of the consolidated subsidiaries' accounts are recognized as foreign currency translation adjustments in other comprehensive income.

(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
The Company and its 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 its consolidated subsidiaries did not hold any security defined as (a) above as of December 31, 2015 and 2014.

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 value are stated at fair value, as of the balance sheet date. Unrealized gains and 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 calculated using the moving-average method. Available-for-sale securities without fair value are stated at the moving-average cost.

If the fair 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 reduced to the fair value and the difference between the fair value and the carrying amount is recognized as impairment loss in the consolidated statement of income in the period of the decline. For equity securities without fair value, if the net asset value of the investee declines significantly, such securities are reduced to the net asset value with the corresponding losses recognized as impairment loss in the consolidated statement of income in the period of the decline. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the following fiscal year.

(6) INVENTORIES

Merchandise, finished goods and semi-finished goods are mainly stated at the lower of cost determined by the periodic average method and net realizable value. Raw materials, containers and supplies are mainly stated at the lower of cost determined by the moving-average method and net realizable value. Cost of uncompleted construction contracts is stated at cost determined by the specific identification method.

(7) ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

(8) PROPERTY, PLANT AND EQUIPMENT (excluding leased assets)

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated loss on impairment. Depreciation for the Company and its several 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. Useful lives and the residual values for the Company and its consolidated domestic subsidiaries are mainly based on the methods provided by the Japanese Income Tax Law.

(9) INTANGIBLE ASSETS (excluding leased assets)

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

(10) ALLOWANCE FOR EMPLOYEES' BONUSES

The Company and its consolidated subsidiaries provide allowance for employees' bonuses based on the estimated amounts payable.

(11) ALLOWANCE FOR BONUSES FOR DIRECTORS AND COMPANY AUDITORS

The Company and its consolidated subsidiaries provide allowance for bonuses for directors and company auditors based on the estimated amounts payable.

(12) NET DEFINED BENEFIT LIABILITY

In calculating retirement benefit obligation, benefit formula attribution is used for attributing projected benefit obligation for the period up to the end of the current fiscal year.

Past service costs are amortized by the straight-line method over a certain number of years (5 - 15 years) within the average of the remaining years of service to be performed by the employees at the time of accrual.

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (10 - 15 years) within the average of the estimated remaining years of service to be performed by the employees at the time of accrual, beginning from the following fiscal year.

Unrecognized actuarial gains and losses and unrecognized past service costs are stated as remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after adjusting for tax effects.

(13) RETIREMENT BENEFITS FOR DIRECTORS AND COMPANY AUDITORS

Provision for retirement benefits for directors and company auditors represents the full accrued amount of such retirement benefit obligations as of the balance sheet date calculated in accordance with the policies of the Company and its consolidated subsidiaries.

(14) RESERVE FOR REPAIRS AND MAINTENANCE OF VENDING MACHINES

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

(15) RESERVE FOR ENVIRONMENTAL MEASURES

The Company and its consolidated subsidiaries provide reserve for environmental measures based on the estimated amounts payable.

(16) RESERVE FOR LOSS ON LITIGATION

Consolidated subsidiaries of the Company in Brazil provide reserve for estimated losses to be incurred on tax litigation and other matters.

(17) ALLOWANCE FOR LOSS ON PLANTS REORGANIZATION

The Company and its consolidated subsidiaries provide allowance for reasonably estimated losses to be incurred in connection with plants reorganization.

(18) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the improvement of existing products or the development of new products, including basic research and fundamental development costs, are recognized in the consolidated statements of income in the year when incurred. The total amount of research and development expenses, included in cost of sales and selling, general and administrative expenses, was ¥61,337 million ($508,556 thousand) and ¥57,117 million for the years ended December 31, 2015 and 2014, respectively.

(19) LIQUOR TAXES

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

(20) INCOME TAXES

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 purposes.

(21) APPLICATION OF CONSOLIDATED TAXATION REGIME

Consolidated taxation regime is applied by the Company and certain consolidated subsidiaries.

(22) CONSUMPTION TAXES

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

(23) LEASES

Depreciation of finance leases for which ownership of the leased assets is not transferred to the lessee is calculated by the straight-line method over the period of lease terms without residual value. Finance lease transactions other than those involving a transfer of title that began on or before December 31, 2008 are not capitalized but are accounted for by a method similar to that applicable to operating leases.

(24) DERIVATIVES AND HEDGE ACCOUNTING

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains and losses in the consolidated statements of income 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 its consolidated subsidiaries defer recognition of gains and losses resulting from changes in fair value of derivative financial instruments as “Deferred gains or losses on hedges” in accumulated other comprehensive income in the accompanying consolidated balance sheets until the related gains and losses on the hedged items are recognized.

If forward foreign exchange contracts of the Company and its consolidated domestic subsidiaries 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 carrying amount 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.
   (“Appropriation treatment”)

2. If a forward foreign exchange contract is executed to hedge a forecasted transaction denominated in a foreign currency, the forecasted transaction will be recorded using the contracted forward rate on recognition, and no gains or losses on the forward foreign exchange contract are recognized.
   (“Deferral hedge accounting”)

If interest rate swap contracts of the Company and its consolidated domestic subsidiaries 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. (“S*pecial treatment*”)

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 in the consolidated statement of income for the period.

Hedging instruments and hedged items

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

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

The Company and its 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 forecasted transactions in foreign currency, (ii) fluctuation risk of interest rates with respect to loans receivable and payable, and (iii) fluctuation risk of commodity prices of raw materials and others.

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

(25) AMOUNTS PER SHARE OF COMMON STOCK

Net income per share is computed based upon the average number of shares of common stock outstanding during the period.

Net income per share (diluted) is not required to state in case of net loss per share.

Cash dividends per share have been presented on an accruals basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

(26) CHANGES IN ACCOUNTING POLICIES

(Application of Accounting Standards regarding Business Combinations)

As the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; hereinafter the “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Consolidation Accounting Standard”), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Business Divestitures Accounting Standard”) and other standards became applicable from the beginning of fiscal years commencing on or after April 1, 2014, these accounting standards (except for the provisions stated in article 39 of the Consolidation Accounting Standard) have been applied from the year ended December 31, 2015. Accordingly, the accounting method has been changed such that the difference associated with changes in equity in subsidiaries remaining under the control of the Company is recorded as capital surplus, and acquisition-related costs are recorded as expenses for the fiscal year in which the costs are incurred. For business combinations implemented on or after January 1, 2015, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs on the finalization of provisional accounting treatment in the consolidated financial statements for the year containing the date of the business combinations.

In the consolidated statement of cash flows for the year ended December 31, 2015, cash flows related to acquisition or sale of shares of subsidiaries not affecting the scope of consolidation are classified into “Cash flows from financing activities,” while cash flows related to expenses arising from acquisition of shares of subsidiaries affecting the scope of consolidation or expenses arising from acquisition or sale of shares of subsidiaries not affecting the scope of consolidation are classified into “Cash flows from operating activities.”

With respect to application of the Accounting Standards regarding Business Combinations, the transitional treatment as prescribed in article 58-2 (3) of the Business Combinations Accounting Standard, article 44-5 (3) of the Consolidation Accounting Standard and article 57-4 (3) of the Business Divestitures Accounting Standard was applied. The cumulative impact of the retroactive application of the new accounting policies over all past periods at January 1, 2015 was reflected in capital surplus and retained earnings.

As a result of this change, as of January 1, 2015, goodwill, capital surplus, retained earnings, foreign currency translation adjustments, and minority interests decreased by ¥263,906 million ($2,188,093 thousand), ¥81,417 million ($675,043 thousand), ¥143,232 million ($1,187,563 thousand), ¥39,191 million ($324,939 thousand), and ¥65 million ($538 thousand), respectively. Additionally, operating income, ordinary income, and income before income taxes and minority interests for the year ended December 31, 2015 all increased by ¥21,806 million ($180,797 thousand).

As the cumulative impact was reflected on the net assets as of January 1, 2015, balance of capital surplus, retained earnings, foreign currency translation adjustments and minority interests as of January 1, 2015 in the consolidated statement of changes in net assets, decreased by ¥81,417 million ($675,043 thousand), ¥143,232 million ($1,187,563 thousand), ¥39,191 million ($324,939 thousand) and ¥65 million ($538 thousand), respectively.

Net assets per share for the fiscal year ended December 31, 2015 decreased by ¥265.23, and net loss per share decreased by ¥23.89.

(Application of Accounting Standards regarding Retirement Benefits)

Effective from the year ended December 31, 2015, the Company has applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; hereinafter the “Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015; hereinafter the “Guidance”), in respect of the provisions stated in article 35 of the Standard and article 67 of the Guidance, whereby the method of calculating retirement benefit obligation and current service costs have been revised. Based on this revision, the method of attributing expected retirement benefits to periods has been changed from the straight-line basis to the benefit formula basis, while the method of determining discount rates has been changed from the method based on the average period until the expected timing of retirement benefits

payment to the method using a single weighted average discount rate reflecting the period up to the expected timing of retirement benefits payment and the amount of retirement benefits payment for each period.
With respect to application of the Standard and the Guidance, the transitional treatment as prescribed in article 37 of the Standard was applied. As of January 1, 2015, the effect of the change in the method of calculating retirement benefit obligation and current service costs was reflected in retained earnings.
As a result of this change, as of January 1, 2015, net defined benefit asset decreased by ¥328 million ($2,719 thousand), net defined benefit liability increased by ¥6,160 million ($51,073 thousand) and retained earnings decreased by ¥4,465 million ($37,020 thousand). The effect of this change on operating income, ordinary income, and income before income taxes and minority interests for the year ended December 31, 2015 is immaterial.
Net assets per share for the fiscal year ended December 31, 2015 decreased by ¥4.89. The effect of this change on net loss per share is immaterial.
As the effect of this change on segment information is immaterial, such disclosure is omitted.

(27) CHANGES IN ACCOUNTING POLICIES WHICH ARE DIFFICULT TO DISTINGUISH FROM CHANGES IN ACCOUNTING ESTIMATES

(Changes in depreciation method for property, plant and equipment)

With respect to the depreciation method for property, plant and equipment, the Company’s consolidated subsidiary, Kyowa Hakko Kirin Co., Ltd. and its consolidated domestic subsidiaries had previously adopted the declining-balance method except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which were depreciated using the straight-line method. However, starting from the year ended December 31, 2015, the method has been changed to the straight-line method.
This consolidated subsidiary group conducted a review of its depreciation method in conjunction with the completion of a considerable part of the capital investments in the large-scale new manufacturing facilities in line with the reorganization of manufacturing sites based on the “Basic Production Strategy” (formulated in 2009, pharmaceuticals business) and the “Reorganization Plan of Yamaguchi Production Center” (formulated in 2010, bio-chemicals business).
In the pharmaceuticals business, the Company anticipates stable operation of manufacturing facilities as it expects long-term steady manufacturing due to improved efficiency as a result of the concentration of manufacturing sites through the reorganization, further progress in automation of manufacturing facilities and the outsourcing of smaller volume products, as well as the effect of recently-launched new drugs and others. Furthermore, in terms of research and development, the Company anticipates stable operation of research and development facilities as a result of efforts to reduce the uncertainty risk of research and development by introducing drug-discovery technologies at the early stages of development in addition to the promotion of proprietary drug-discovery research.
In the bio-chemicals business, the Company anticipates stable operation of manufacturing facilities in conjunction with the multi-purpose plant and the acceleration of automation, which will enable the manufacturing of multiple products.
The Company, upon comprehensively taking into account the above factors, has determined that the allocation of costs through depreciation over the useful life on a straight-line basis starting from the year ended December 31, 2015 at the consolidated subsidiary group would better reflect the actual conditions. As a result of this change, for the year ended December 31, 2015, compared to previous method, depreciation decreased by ¥3,266 million ($27,079 thousand), operating income increased by ¥2,268 million ($18,804 thousand), and ordinary income and income before income taxes and minority interests increased by ¥2,300 million ($19,069 thousand).

(28) ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

(Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, December 28, 2015))

(1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a necessary review was conducted following the framework of Japanese Institution of Certified Public Accountants Audit Committee Report No. 66 “Audit Treatment on Determining the Recoverability of Deferred Tax Assets,” whereby companies are categorized into five categories and deffered tax assets are caluculated based on each of these categories.

1) Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
2) Category requirements for (Category 2) and (Category 3)
3) Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)
4) Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
5) Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

(2) Planned implementation date

The date of implementation is under consideration.

(3) Effect of the application of the guidance

The effect is under assessment at the time of preparation of the accompanying consolidated financial statements.

(29) RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements for the fiscal year ended December 31, 2014 to conform to the presentation for the fiscal year ended December 31, 2015.

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

Short-term loans payable outstanding as of December 31, 2015 and 2014 consisted of the following:

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Unsecured	**¥29,910**	¥54,005	**$247,989**
Secured	**11,871**	3,321	**98,424**
Total short-term loans payable	**¥41,781**	¥57,327	**$346,414**

Average annual interest rates on outstanding short-term loans payable as of December 31, 2015 and 2014 were 2.39% and 2.54%, respectively.

Long-term debt and bonds as of December 31, 2015 and 2014 consisted of the following:

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Loans principally from banks and insurance companies, with average rate of 1.36% for current portion, and maturing from 2017 to 2026 with average rate of 1.36% for non-current portion	**¥ 490,331**	¥ 400,780	**$ 4,065,425**
1.27% coupon debentures in yen, due in 2015	**-**	29,999	**-**
0.505% coupon debentures in yen, due in 2016	**30,000**	30,000	**248,735**
1.69% coupon debentures in yen, due in 2018	**69,996**	69,995	**580,349**
1.639% coupon debentures in yen, due in 2019	**50,000**	50,000	**414,559**
1.86% coupon debentures in yen, due in 2020	**19,994**	19,993	**165,773**
1.239% coupon debentures in yen, due in 2021	**40,000**	40,000	**331,647**
0.603% coupon debentures in yen, due in 2025	**15,000**	-	**124,367**
4.53% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2015	**-**	21,832	**-**
Less current maturities	**(116,378)**	(93,600)	**(964,911)**
Total long-term debt and bonds	**¥ 598,944**	¥ 569,000	**$ 4,965,956**

The non-current portion of loans includes loans due in 2016 of a consolidated subsidiary whose fiscal year-end is September 30 which differs from that of the Company.
The above balances of loans include secured loans of ¥32,228 million ($267,208 thousand) and ¥19,158 million as of December 31, 2015 and 2014, respectively.

Other interest-bearing debt as of December 31, 2015 and 2014 consisted of the following:

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Finance lease obligation – current (at an average interest rate of 1.26% in 2015 and 3.82% in 2014)	**¥ 1,969**	¥ 1,983	**$ 16,325**
Finance lease obligation – non-current (at an average interest rate of 1.26% in 2015 and 3.52% in 2014, maturing between 2017 to 2023)	**5,703**	5,883	**47,284**
Commercial paper (at an average interest rate of 0.09% in 2014)	**-**	83,994	**-**
Deposits received (at an average interest rate of 1.05% in 2015 and 1.07% in 2014)	**56,701**	61,212	**470,118**

Deposits received on the accompanying consolidated balance sheets include non-interest-bearing deposits.
The above balance of deposits received includes a secured portion of ¥66 million ($547 thousand) and ¥3,171 million as of December 31, 2015 and 2014, respectively.

The aggregate annual maturities of long-term debt, bonds and finance lease obligation as of December 31, 2015 were as follows:

	Amount	
	(Millions of yen)	(Thousands of U.S. dollars)
Years ending December 31,		
2016	**¥ 118,348**	**$ 981,245**
2017	**81,281**	**673,915**
2018	**127,125**	**1,054,017**
2019	**119,133**	**987,753**
2020	**100,762**	**835,436**
2021 and thereafter	**176,344**	**1,462,100**
Total	**¥722,995**	**$5,994,486**

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, 2015 and 2014, assets pledged as collateral for the above secured liabilities were as follows:

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Property, plant and equipment	**¥50,680**	¥23,358	**$420,197**
Investment securities	**798**	524	**6,616**
	¥51,479	¥23,882	**$426,821**

Deposits received relating to construction were recognized at the amortized cost of ¥8,805 million ($73,003 thousand) and ¥9,810 million as of December 31, 2015 and 2014, respectively, in accordance with the accounting standard for financial instruments.

4. PROPERTY, PLANT AND EQUIPMENT

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

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	**¥ 551,155**	¥ 565,927	**$ 4,569,728**
Machinery, equipment and vehicles	**947,561**	958,805	**7,856,404**
Land	**167,579**	185,516	**1,389,428**
Construction in progress	**52,671**	92,008	**436,705**
Other	**185,650**	185,574	**1,539,258**
Total	**1,904,618**	1,987,831	**15,791,542**
Accumulated depreciation	**(1,192,854)**	(1,189,433)	**(9,890,174)**
Net of property, plant and equipment	**¥ 711,763**	¥ 798,398	**$ 5,901,359**

Amounts deducted from property, plant and equipment due to subsidies received from governments and others are as follows:

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	**¥ 60**	¥ 62	**$ 497**
Machinery, equipment and vehicles	**845**	562	**7,006**
Other	**1,790**	268	**14,841**
Total	**¥2,696**	¥993	**$22,353**

5. CONTINGENT LIABILITIES

As of December 31, 2015 and 2014, the Company and its consolidated subsidiaries were contingently liable as guarantors of loan obligations of unconsolidated subsidiaries, affiliates, employees and others for the amount of ¥3,470 million ($28,770 thousand) and ¥4,262 million, respectively. The Company and its consolidated subsidiaries were also contingently liable for notes receivable discounted for the amount of ¥26 million ($215 thousand) and ¥34 million as of December 31, 2015 and 2014, respectively.

Consolidated subsidiaries of the Company in Brazil are in tax-related litigation with the tax authority over ICMS (State Value-Added Tax), PIS (Social Integration Program), COFINS (Social Security Contribution) and others, in addition to labor-related litigation and civil lawsuits. Although "Reserve for loss on litigation" has been recorded in order to provide for the estimated losses on these litigation and lawsuits, ¥48,988 million ($406,168 thousand) and ¥73,622 million associated with tax-related litigation, ¥12,262 million ($101,666 thousand) and ¥15,792 million associated with labor-related litigation and ¥5,407 million ($44,830 thousand) and ¥7,742 million associated with civil lawsuits have not been recorded as reserves as of December 31, 2015 and 2014, respectively, because the risks of losses in the future are classified by management as only possible upon consideration of the individual risks of each contingent event based on the opinion of outside legal advisers.

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended December 31, 2015 and 2014 were as follows:

	Years ended December 31,		Year ended December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Sales promotion	**¥244,424**	¥216,906	**$2,026,564**
Freight	**72,211**	70,100	**598,714**
Advertising	**68,825**	77,138	**570,640**
Retirement benefit expenses	**13,327**	15,509	**110,496**
Salaries and wages of employees	**151,642**	155,367	**1,257,292**
Research and development expenses	**61,250**	57,039	**507,835**
Depreciation and amortization	**40,952**	41,400	**339,540**
Tax benefits of foreign subsidiaries	**(16,019)**	(25,153)	**(132,816)**

7. SALE AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Gains or losses on sale and disposal of property, plant and equipment and intangible assets consist of the following:

	Years ended December 31,		Year ended December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Gain on sale of property, plant and equipment and intangible assets:			
Buildings and structures	**¥ 2,597**	¥ 783	**$ 21,532**
Machinery, equipment and vehicles	**243**	491	**2,014**
Land	**16,327**	5,540	**135,370**
Other	**285**	517	**2,362**
Total	**19,454**	7,333	**161,296**
Loss on sale of property, plant and equipment and intangible assets:			
Buildings and structures	**504**	128	**4,178**
Machinery, equipment and vehicles	**155**	416	**1,285**
Land	**162**	127	**1,343**
Other	**55**	56	**456**
Total	**878**	728	**7,279**
Loss on disposal of property, plant and equipment and intangible assets:			
Buildings and structures	**737**	878	**6,110**
Machinery, equipment and vehicles	**2,065**	1,930	**17,121**
Other	**359**	450	**2,976**
Total	**¥ 3,162**	¥ 3,260	**$ 26,216**

8. LOSS ON IMPAIRMENT

Year ended December 31, 2015

The Company and its consolidated subsidiaries classified property, plant and equipment and intangible assets into groups based on the respective type of business, which are the units for making investment decisions. However, certain goodwill of foreign subsidiaries including Australian subsidiaries was classified into groups of units which represent the lowest level at which the goodwill is monitored for internal management purposes. For idle properties, each property is considered to constitute a group. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independent from other assets or group of assets.

The Company and its consolidated subsidiaries recognized loss on impairment for certain groups of assets as follows:

Use	Location	Type of assets
Assets used for business (Japan Integrated Beverages Business)	Chiyoda-ku and Toshima-ku, Tokyo	Buildings and structures, others in intangible assets and other assets
Assets used for business (Oceania Integrated Beverages Business)	Australia	Machinery, equipment and vehicles, land, and other assets
Assets used for business (Other Overseas Integrated Beverages Business)	Brazil and one other	Goodwill, others in intangible assets, machinery, equipment and vehicles, and other assets
Rental assets (Pharmaceuticals and Bio-chemicals Business)	Hofu-shi, Yamaguchi	Land
Idle properties	Sakai-shi, Osaka and 16 others	Land, buildings and structures, and other assets

Carrying amounts of certain assets were devalued to their recoverable amount or memorandum value because (i) some assets used for Japan Integrated Beverages Business were judged that there was no prospect of recovering investments due to decline in profitability, (ii) Australian subsidiary in Oceania Integrated Beverages Business decided to integrate production facilities for assets used for business, (iii) assets used for business of Brazilian subsidiary in Other Overseas Integrated Beverages Business was revalued in accordance with International Financial Reporting Standards in response to sharp decline in sales volume due to intensifying competition and increase in raw material costs due to weakening local currency, (iv) some assets used for Pharmaceuticals and Bio-chemicals Business was judged that there was no prospect of recovering investments due to the change in usage of assets from assets used for business to assets used for lease and (v) the fair value of idle properties substantially declined compared to their carrying value. As a result, the Company recognized loss on impairment of ¥123,385 million ($1,023,008 thousand) and business restructuring expense of ¥767 million ($6,359 thousand) recorded under special expenses in the consolidated statement of income for such devaluation, comprising ¥71,623 million ($593,839 thousand) for goodwill, ¥43,607 million ($361,553 thousand) for intangible assets and others, ¥5,450 million ($45,186 thousand) for land, ¥2,777 million ($23,024 thousand) for machinery, equipment and vehicles, ¥361 million ($2,993 thousand) for tools, furniture and fixtures, ¥301 million ($2,495 thousand) for buildings and structures and ¥30 million ($248 thousand) for construction in progress.

The recoverable amount of each group of assets is the higher of net selling price (fair value less cost to sell or appraised value) or value in use calculated by discounting future cash flows at a discount rate of 5.0 % for the Company and consolidated domestic subsidiaries. Discount rates of 12.4% to 14.8% were used for the calculation of value in use of assets recorded at consolidated foreign subsidiaries depending on the situation of each subsidiary.

Year ended December 31, 2014

The Company and its consolidated subsidiaries classified property, plant and equipment and intangible assets into groups based on the respective type of business, which are the units for making investment decisions. However, certain goodwill of foreign subsidiaries including Australian subsidiaries was classified into groups of units which represent the lowest level at which the goodwill is monitored for internal management purposes. For idle properties, each property is considered to constitute a group. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independent from other assets or group of assets.

The Company and its consolidated subsidiaries recognized loss on impairment for certain groups of assets as follows:

Use	Location	Type of assets
Assets used for business (Japan Integrated Beverages Business)	Ishikari-shi, Hokkaido and two others	Buildings and structures, machinery, equipment and vehicles, land and other assets
Assets used for business (Oceania Integrated Beverages Business)	Australia	Machinery, equipment and vehicles
Assets used for business (Other Businesses)	Shibuya-ku, Tokyo	Land
Idle properties	Ube-shi, Yamaguchi and 35 others	Buildings and structures, machinery, equipment and vehicles, land and other assets

Carrying amounts of certain assets were devalued to their recoverable amount or memorandum value because (i) the Company revalued some assets used for Japan Integrated Beverages Business and assets of Australian subsidiaries used for Oceania Integrated Beverages Business, since management decided to lease or sell these assets and (ii) the fair values of assets used for business and idle properties of Other Businesses substantially declined compared to their carrying values.
As a result, the Company recognized loss on impairment of ¥2,638 million and business restructuring expense of ¥531 million recorded under special expenses in the consolidated statement of income for such devaluation, comprising ¥812 million for buildings and structures, ¥561 million for machinery, equipment and vehicles, ¥1,760 million for land and ¥35 million for other property, plant and equipment.

The recoverable amount of each group of assets is the higher of net selling price (fair value less cost to sell or appraised value) or value in use calculated by discounting future cash flows at a discount rate of 5.0 % for the Company and consolidated domestic subsidiaries.

9. FOREIGN CURRENCY TRANSLATION GAIN OR LOSS

For the year ended December 31, 2015, gain on currency swaps and forward foreign exchange contracts that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies and others amounting to ¥5,303 million ($43,968 thousand) is in "Net foreign currency translation loss" under non-operating expenses after offsetting foreign currency translation loss.
For the year ended December 31, 2014, loss on currency swaps and forward foreign exchange contracts that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies and others amounting to ¥645 million is included in "Other" under non-operating income after offsetting foreign currency translation gain.

10. BUSINESS RESTRUCTURING EXPENSE

For the years ended December 31, 2015 and 2014, business restructuring expense included additional employees' retirement benefits of ¥2,784 million ($23,082 thousand) and ¥5,838 million and expense for plants reorganization of ¥2,061 million ($17,088 thousand) and ¥4,111 million, respectively, at consolidated subsidiaries.

11. OTHER COMPREHENSIVE INCOME

Amounts reclassified to net income (loss) for the years ended December 31, 2015 and 2014 that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Years ended December 31,		Year ended December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Net unrealized gains on securities:			
Increase (decrease) during the year	**¥ 17,955**	¥ 9,677	**$ 148,868**
Reclassification adjustments	**(6,914)**	(194)	**(57,325)**
Amount before tax effect	**11,040**	9,482	**91,534**
Tax effect	**654**	3,800	**5,422**
Sub-total	**10,386**	5,682	**86,112**
Deferred gains or losses on hedges:			
Increase (decrease) during the year	**2,110**	1,483	**17,494**
Reclassification adjustments	**293**	(490)	**2,429**
Amount before tax effect	**2,404**	992	**19,932**
Tax effect	**834**	293	**6,914**
Sub-total	**1,569**	698	**13,008**
Land revaluation difference:			
Tax effect	**119**	-	**986**
Foreign currency translation adjustments:			
Increase (decrease) during the year	**(106,614)**	47,179	**(883,956)**
Reclassification adjustments	**-**	239	**-**
Sub-total	**(106,614)**	47,418	**(883,956)**
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	**(5,504)**	-	**(45,634)**
Reclassification adjustments	**4,983**	-	**41,314**
Amount before tax effect	**(520)**	-	**(4,311)**
Tax effect	**(246)**	-	**(2,039)**
Sub-total	**(273)**	-	**(2,263)**
Share of other comprehensive income of entities accounted for by the equity method:			
Increase (decrease) during the year	**4,775**	13,704	**39,590**
Reclassification adjustments	**(79)**	-	**(655)**
Sub-total	**4,695**	13,704	**38,927**
Total other comprehensive income	**¥(90,116)**	¥67,504	**$(747,168)**

12. INFORMATION ON SECURITIES

The following tables summarize costs and carrying amount.

1. Available-for-sale marketable securities with fair value

	December 31, 2015					
	Carrying amount	Cost	Difference	Carrying amount	Cost	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
(1) Securities with carrying amount exceeding acquisition cost						
Equity securities	**¥153,309**	**¥63,325**	**¥89,984**	**$1,271,113**	**$525,039**	**$746,074**
Bonds						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	**5,538**	**5,509**	**29**	**45,916**	**45,676**	**240**
Other	-	-	-	-	-	-
Sub-total	**158,848**	**68,834**	**90,014**	**1,317,038**	**570,715**	**746,322**
(2) Securities with carrying amount not exceeding acquisition cost						
Equity securities	**4,326**	**4,774**	**(447)**	**35,867**	**39,582**	**(3,706)**
Bonds						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	**4,326**	**4,774**	**(447)**	**35,867**	**39,582**	**(3,706)**
Total	**¥163,174**	**¥73,608**	**¥89,566**	**$1,352,906**	**$610,297**	**$742,608**

	December 31, 2014		
	Carrying amount	Cost	Difference
	(Millions of yen)		
(1) Securities with carrying amount exceeding acquisition cost			
Equity securities	¥154,210	¥70,262	¥83,947
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	10,336	9,288	1,047
Other	-	-	-
Sub-total	164,546	79,551	84,994
(2) Securities with carrying amount not exceeding acquisition cost			
Equity securities	3,682	4,134	(452)
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Sub-total	3,682	4,134	(452)
Total	¥168,228	¥83,686	¥84,542

2. Total sale of available-for-sale securities

	Years ended December 31,		Year ended December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Amount of equity securities sold	**¥ 24,301**	¥ 1,709	**$ 201,484**
Total gain on sale	**6,810**	179	**56,462**
Total loss on sale	**-**	1,656	**-**

3. Carrying amount of major equity securities for which fair values are deemed extremely difficult to assess

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Available-for-sale securities			
Unlisted equity securities	**¥15,416**	¥20,103	**$127,816**
Other	**1,685**	33	**13,970**
Total	**¥17,101**	¥20,136	**$141,787**

4. Impairment loss on investment securities

Impairment losses of ¥34 million ($281 thousand) and ¥3 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, 2015 and 2014, respectively. Where the fair value of available-for-sale securities has declined by more than 30% from their costs, the value of those securities is considered to have "substantially declined" and impairment loss on those securities are recognized in the consolidated statements of income, unless the value is considered recoverable. For available-for-sale securities for which fair values are deemed extremely difficult to assess, when the value of those securities has declined by more than 50% from their costs, the value of those securities is considered to have "substantially declined" and the loss on impairment on those securities are recognized in the consolidated statements of income, except for cases where the recoverability of the value of those securities in the future is supported by reasonable grounds.

13. SEGMENT INFORMATION

1. Summary of reportable segments

(1) Method of deciding reportable segments

The reportable segments of the Kirin Group are constituent units of the Group whose separate financial information is readily available, which are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating the business results.

The Kirin Group comprises, under a holding company structure, various business companies including KIRIN Company, Limited engaging in the "Integrated Beverages-Japan" business, Lion Pty Ltd engaging in the "Integrated Beverages-Oceania" business, Brasil Kirin Holding S.A. and other companies engaging in the "Integrated Beverages-Overseas-other" business, and Kyowa Hakko Kirin Co., Ltd. engaging in the "Pharmaceuticals and Bio-chemicals" business. Each of these business companies work out a comprehensive strategy applicable to their products and services and carries out their business activities.

Consequently, the Kirin Group has identified four reportable segments, namely, "Integrated Beverages-Japan," "Integrated Beverages-Oceania," "Integrated Beverages-Overseas-other," and "Pharmaceuticals and Bio-chemicals," by grouping each company after considering the similarities in economic characteristics and other factors.

(2) Types of products and services classified in each reportable segment

"Integrated Beverages-Japan" conducts production and sale of alcohol beverages, such as beer, *happo-shu* (low-malt beer), new genre, whiskey, spirits and soft drinks, and includes business such as engineering and logistics.

"Integrated Beverages-Oceania" conducts production and sale of beer, whiskey, spirits, dairy products, fruit juice, and other products, in the Oceania region.

"Integrated Beverages-Overseas-other" conducts production and sale of beer, soft drinks, and other products, in overseas other than the Oceania region.

"Pharmaceuticals and Bio-chemicals" conducts production and sale of pharmaceutical products, biochemical products, and other products.

"Integrated Beverages-Japan" includes certain overseas companies.

2. Basis of measurement of sales, income or loss, assets and other item amounts by reportable segment

The accounting method for the business segments that are reported is generally the same as described in Note 2 "SIGNIFICANT ACCOUNTING POLICIES."
The segment income figures stated in the reportable segments are based on operating income.
The inter-segment sales or the transfers are based on actual market prices.

(Application of Accounting Standards regarding Business Combinations)
As noted in Note 2 (26), the Company has applied the Accounting Standards regarding Business Combinations, in compliance with transitional treatment as prescribed in article 58-2 (3) of the Business Combinations Accounting Standard, article 44-5 (3) of the Consolidated Accounting Standard and article 57-4 (3) of the Business Divestitures Accounting Standard.
As a result, goodwill decreased by ¥25,883 million ($214,600 thousand), ¥229,480 million ($1,902,661 thousand), ¥3,489 million ($28,927 thousand) and ¥5,053 million ($41,895 thousand) in the "Integrated Beverages-Japan" segment, the "Integrated Beverages-Oceania" segment, the "Integrated Beverages-Overseas-other" segment and the "Pharmaceuticals and Bio-chemicals" segment, respectively at January 1, 2015.
As a result, as compared to the amounts calculated by the previous method, segment income for the year ended December 31, 2015 increased by ¥2,229 million ($18,481 thousand), ¥18,632 million ($154,481 thousand), ¥238 million ($1,973 thousand) and ¥705 million ($5,845 thousand) in the "Integrated Beverages-Japan" segment, the "Integrated Beverages-Oceania" segment, the "Integrated Beverages-Overseas-other" segment and the "Pharmaceuticals and Bio-chemicals" segment, respectively.

(Changes in depreciation method for property, plant and equipment)
As noted in Note 2 (27), with respect to the depreciation method for property, plant and equipment, the Company's consolidated subsidiary, Kyowa Hakko Kirin Co., Ltd. and its consolidated domestic subsidiaries had previously adopted the declining-balance method except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which were depreciated using the straight-line method. However, starting from the year ended December 31, 2015, the method has been changed to the straight-line method. As a result of this change, as compared to the amounts calculated by the previous method, segment income for the year ended December 31, 2015 increased by ¥2,268 million ($18,804 thousand) in the "Pharmaceuticals and Bio-chemicals" segment.

3. Information about sales, income or loss, assets and other item amounts by reportable segment

	Year ended December 31, 2015						
	Reportable Segment						Amount recorded in the consolidated financial statements (Note 3)
	Integrated Beverages			Pharmaceuticals and Bio-chemicals	Others (Note 1)	Adjustment (Note 2)	
	Japan	Oceania	Overseas - other				
	(Millions of yen)						
Sales							
Unaffiliated customers	**¥1,191,554**	**¥438,620**	**¥185,548**	**¥355,777**	**¥25,424**	**¥ -**	**¥2,196,925**
Less liquor taxes	**305,697**	**-**	**-**	**-**	**-**	**-**	**305,697**
Net sales	**885,857**	**438,620**	**185,548**	**355,777**	**25,424**	**-**	**1,891,227**
Inter-segment	**4,839**	**116**	**313**	**8,538**	**1,057**	**(14,866)**	**-**
Total sales	**890,696**	**438,737**	**185,862**	**364,316**	**26,482**	**(14,866)**	**1,891,227**
Segment income (loss)	**47,994**	**48,078**	**(14,818)**	**46,819**	**3,860**	**(7,182)**	**124,751**
Segment assets	**780,827**	**465,447**	**500,091**	**735,313**	**36,966**	**(74,873)**	**2,443,773**
Other items							
Depreciation and amortization	**34,147**	**19,424**	**16,621**	**23,126**	**1,138**	**144**	**94,603**
Amortization of goodwill	**216**	**12,151**	**4,631**	**10,323**	**-**	**-**	**27,323**
Investments in equity-method affiliates	**3,738**	**4,331**	**169,838**	**53,442**	**192**	**-**	**231,543**
Increase of property, plant and equipment and intangible assets	**30,148**	**23,094**	**29,685**	**19,054**	**1,241**	**480**	**103,705**

Year ended December 31, 2015							
	Reportable Segment				Others (Note 1)	Adjustment (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
	(Thousands of U.S. dollars)						
Sales							
Unaffiliated customers	**$9,879,396**	**$3,636,680**	**$1,538,413**	**$2,949,813**	**$210,795**	**$ -**	**$18,215,114**
Less liquor taxes	**2,534,590**	**-**	**-**	**-**	**-**	**-**	**2,534,590**
Net sales	**7,344,805**	**3,636,680**	**1,538,413**	**2,949,813**	**210,795**	**-**	**15,680,515**
Inter-segment	**40,121**	**961**	**2,595**	**70,790**	**8,763**	**(123,256)**	**-**
Total sales	**7,384,926**	**3,637,650**	**1,541,016**	**3,020,611**	**219,567**	**(123,256)**	**15,680,515**
Segment income (loss)	**397,927**	**398,623**	**(122,858)**	**388,185**	**32,003**	**(59,547)**	**1,034,333**
Segment assets	**6,473,982**	**3,859,107**	**4,146,347**	**6,096,617**	**306,491**	**(620,786)**	**20,261,777**
Other items							
Depreciation and amortization	**283,119**	**161,048**	**137,807**	**191,741**	**9,435**	**1,193**	**784,371**
Amortization of goodwill	**1,790**	**100,746**	**38,396**	**85,589**	**-**	**-**	**226,540**
Investments in equity-method affiliates	**30,992**	**35,909**	**1,408,158**	**443,097**	**1,591**	**-**	**1,919,766**
Increase of property, plant and equipment and intangible assets	**249,962**	**191,476**	**246,123**	**157,980**	**10,289**	**3,979**	**859,837**

Notes:

1. “Others” includes food business, such as dairy products and others.

2. The adjustments are as follows:

(1) The negative ¥7,182 million ($59,547 thousand) adjustment in segment income (loss) includes ¥386 million ($3,200 thousand) in inter-segment eliminations and negative ¥7,568 million ($62,747 thousand) in corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses incurred in the Company, a pure holding company.

(2) The negative ¥74,873 million ($620,786 thousand) adjustment in segment assets includes negative ¥ 344,298 million ($2,854,638 thousand) in inter-segment asset and liability eliminations and ¥269,425 million ($2,233,852 thousand) in corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (investment securities) of the Company, and assets which belong to the administrative department of the Company, a pure holding company.

(3) The ¥144 million ($1,193 thousand) adjustment in depreciation and amortization mainly consists of depreciation and amortization of corporate assets.

(4) The ¥480 million ($3,979 thousand) adjustment in increase of property, plant and equipment and intangible assets consists of ¥397 million ($3,291 thousand) of inter-segment asset and liability eliminations and ¥82 million ($679 thousand) of acquisition of property, plant and equipment related to corporate assets.

3. Segment income (loss) is reconciled to operating income in the consolidated statements of income.

Year ended December 31, 2014							
	Reportable Segment				Others (Note 1)	Adjustment (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
				(Millions of yen)			
Sales							
Unaffiliated customers	¥1,152,957	¥470,123	¥223,052	¥325,149	¥24,513	¥ -	¥2,195,795
Less liquor taxes	301,365	-	-	-	-	-	301,365
Net sales	851,592	470,123	223,052	325,149	24,513	-	1,894,429
Inter-segment	10,491	123	213	8,296	1,299	(20,425)	-
Total sales	862,083	470,246	223,265	333,446	25,813	(20,425)	1,894,429
Segment income	48,181	27,587	3,663	38,877	3,083	(6,843)	114,549
Segment assets	825,162	786,917	627,325	726,817	34,290	(34,645)	2,965,868
Other items							
Depreciation and amortization	35,205	19,967	17,795	23,885	1,778	280	98,914
Amortization of goodwill	2,502	31,159	6,054	9,967	3	-	49,686
Investments in equity-method affiliates	5,189	4,580	166,207	45,741	493	-	222,213
Increase of property, plant and equipment and intangible assets	36,672	29,498	24,710	29,487	367	(617)	120,118

Notes:

1. “Others” includes food business, such as dairy products and others.

2. The adjustments are as follows:

(1) The negative ¥6,843 million adjustment in segment income includes ¥492 million in inter-segment eliminations and negative ¥7,335 million in corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses incurred in the Company, a pure holding company.

(2) The negative ¥34,645 million adjustment in segment assets includes negative ¥ 294,353 million in inter-segment asset and liability eliminations and ¥259,707 million in corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (investment securities) of the Company, and assets which belong to the administrative department of the Company, a pure holding company.

(3) The ¥280 million adjustment in depreciation and amortization mainly consists of depreciation and amortization of corporate assets.

(4) The negative ¥617 million adjustment in increase of property, plant and equipment and intangible assets mainly consists of inter-segment asset and liability eliminations.

3. Segment income is reconciled to operating income in the consolidated statements of income.

4. Related Information

(1) Information by product and service

Information is omitted since similar information is disclosed in the segment information.

(2) Information by region

(a) Sales

Year ended December 31, 2015

Japan	Oceania	Brazil	Others	Total	Japan	Oceania	Brazil	Others	Total
(Millions of yen)					(Thousands of U.S. dollars)				
¥1,435,742	**¥429,203**	**¥136,464**	**¥195,514**	**¥2,196,925**	**$11,904,004**	**$3,558,602**	**$1,131,448**	**$1,621,043**	**$18,215,114**

Year ended December 31, 2014

Japan	Oceania	Brazil	Others	Total
(Millions of yen)				
¥1,388,950	¥463,944	¥182,306	¥160,594	¥2,195,795

Note: Sales are classified by country or area based on customer location.

(b) Property, plant and equipment

December 31, 2015

Japan	Oceania	Brazil	Others	Total	Japan	Oceania	Brazil	Others	Total
(Millions of yen)					(Thousands of U.S. dollars)				
¥367,208	**¥177,002**	**¥108,967**	**¥58,584**	**¥711,763**	**$3,044,590**	**$1,467,556**	**$903,465**	**$485,730**	**$5,901,359**

December 31, 2014

Japan	Oceania	Brazil	Others	Total
(Millions of yen)				
¥386,827	¥202,893	¥164,600	¥44,077	¥798,398

(3) Information by major customer

There is no major unaffiliated customer which accounts for 10% or more of the net sales on the consolidated statements of income.

(4) Information about loss on impairment of non-current assets by reportable segment

Year ended December 31, 2015

	Reportable Segment				Others	Adjustment	Total
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas – other				
	(Millions of yen)						
Loss on impairment	**¥4,053**	**¥93**	**¥113,476**	**¥5,762**	**¥-**	**¥-**	**¥123,385**

Year ended December 31, 2015

	Reportable Segment				Others	Adjustment	Total
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas – other				
	(Thousands of U.S. dollars)						
Loss on impairment	**$33,604**	**$771**	**$940,850**	**$47,773**	**$-**	**$-**	**$1,023,008**

Note:

1. In addition, loss on impairment of ¥767 million ($6,359 thousand) which was recognized in the "Integrated Beverages-Oceania" segment is included in "Business restructuring expense" in "Special expenses" in the consolidated statement of income.

Year ended December 31, 2014							
	Reportable Segment						
	Integrated Beverages			Pharmaceuticals and Bio-chemicals	Others (Note 2)	Adjustment	Total
	Japan	Oceania	Overseas – other				
	(Millions of yen)						
Loss on impairment	¥358	¥-	¥-	¥1,342	¥936	¥-	¥2,638

Notes:

1. In addition, loss on impairment of ¥531 million which was recognized in the "Integrated Beverages-Oceania" segment is included in "Business restructuring expense" in "Special expenses" in the consolidated statement of income.
2. "Others" includes food business, such as dairy products and others.

(5) Information about amortization of goodwill and remaining goodwill balance by reportable segment

December 31, 2015							
	Reportable Segment						
	Integrated Beverages			Pharmaceuticals and Bio-chemicals	Others	Adjustment	Total
	Japan	Oceania	Overseas – other				
	(Millions of yen)						
Balance at the end of current period	**¥1,210**	**¥121,065**	**¥29,179**	**¥117,759**	**¥-**	**¥-**	**¥269,215**

December 31, 2015							
	Reportable Segment						
	Integrated Beverages			Pharmaceuticals and Bio-chemicals	Others	Adjustment	Total
	Japan	Oceania	Overseas – other				
	(Thousands of U.S. dollars)						
Balance at the end of current period	**$10,032**	**$1,003,772**	**$241,928**	**$976,361**	**$-**	**$-**	**$2,232,111**

Note: Information about amortization of goodwill is omitted since the information is disclosed in 3. Information about sales, income or loss, assets and other item amounts by reportable segment.

December 31, 2014							
	Reportable Segment						
	Integrated Beverages			Pharmaceuticals and Bio-chemicals	Others	Adjustment	Total
	Japan	Oceania	Overseas – other				
	(Millions of yen)						
Balance at the end of current period	¥27,364	¥379,329	¥100,593	¥135,182	¥-	¥-	¥642,470

Note: Information about amortization of goodwill is omitted since the information is disclosed in 3. Information about sales, income or loss, assets and other item amounts by reportable segment.

(6) Information about gain on negative goodwill by reportable segment

There are no material amounts to report for the years ended December 31, 2015 and 2014.

14. LEASE TRANSACTIONS

1. Finance leases-Lessee

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

2. Operating leases

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

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
As a lessee			
Due within one year	**¥ 8,328**	¥ 7,408	**$ 69,049**
Due over one year	**33,042**	24,872	**273,957**
Total	**¥ 41,370**	¥ 32,280	**$343,006**
As a lessor			
Due within one year	**¥ 350**	¥ 353	**$ 2,901**
Due over one year	**3,087**	3,270	**25,594**
Total	**¥ 3,438**	¥ 3,623	**$ 28,505**

15. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates as of December 31, 2015 and 2014 were as follows:

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Investment securities (Shares)	**¥234,150**	¥224,557	**$1,941,381**
Investment securities (Bonds)	**1,653**	-	**13,705**
Investments and other assets—other (Equity interests other than shares)	**297**	297	**2,462**
Of which, investment in jointly controlled companies	**55,682**	¥ 46,137	**461,669**

16. SHAREHOLDERS' EQUITY

Under the Japanese Corporation Law ("the Law") and related 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 lesser 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.

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

Year ended December 31, 2015

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 January 1, 2015	965,000,000	52,452,089
Increase during the period	-	20,833
Decrease during the period	51,000,000	51,001,890
Number of shares as of December 31, 2015	914,000,000	1,471,032

Notes:

1. Decrease in the number of shares outstanding was due to the following reason:
   - Retirement of treasury stock based on the resolution of the Board of Directors: 51,000,000 shares
2. Increase in the number of treasury stock was due to the following reason:
   - Acquisition of less-than-one-unit shares: 20,833 shares
3. Decrease in the number of treasury stock was due to the following reasons:
   - Sales of less-than-one-unit shares: 1,890 shares
   - Retirement of treasury stock based on the resolution of the Board of Directors: 51,000,000 shares

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 January 1, 2015	-
Increase during the period	-
Decrease during the period	-
Number of shares as of December 31, 2015	-
Amount outstanding as of December 31, 2015	¥430 million ($3,565 thousand)

3. Matters related to dividends

(1) Dividend payments

Approvals by the Annual General Meeting of Shareholders held on March 27, 2015 were as follows:

Dividend on common stock

a. Total amount of dividend	¥17,338 million ($143,752 thousand)
b. Dividend per share	¥19.00 ($0.15)
c. Record date	December 31, 2014
d. Effective date	March 30, 2015

Approvals by the Board of Directors Meeting held on August 5, 2015 were as follows:

Dividend on common stock

a. Total amount of dividend	¥17,338 million ($143,752 thousand)
b. Dividend per share	¥19.00 ($0.15)
c. Record date	June 30, 2015
d. Effective date	September 2, 2015

(2) Dividends whose record date is attributable to, but to be effective after, the year

The Company received the approval at the Annual General Meeting of Shareholders held on March 30, 2016 as follows:

Dividend on common stock

a. Total amount of dividend	¥17,338 million ($143,752 thousand)
b. Source of dividends	Retained earnings
c. Dividend per share	¥19.00 ($0.15)
d. Record date	December 31, 2015
e. Effective date	March 31, 2016

Year ended December 31, 2014

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 January 1, 2014	965,000,000	35,659,435
Increase during the period	-	16,795,884
Decrease during the period	-	3,230
Number of shares as of December 31, 2014	965,000,000	52,452,089

Notes:

1. Increase in the number of treasury stock was due to the following reasons:

- Acquisition of less-than-one-unit shares: 49,718 shares

- Acquisition based on the resolution of the Board of Directors: 16,746,166 shares

2. Decrease in the number of treasury stock was due to the following reasons:

- Sales of less-than-one-unit shares: 3,230 shares

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 January 1, 2014	-
Increase during the period	-
Decrease during the period	-
Number of shares as of December 31, 2014	-
Amount outstanding as of December 31, 2014	¥332 million

3. Matters related to dividends

(1) Dividend payments

Approvals by the Annual General Meeting of Shareholders held on March 27, 2014 were as follows:

Dividend on common stock

a. Total amount of dividend ¥16,728 million
b. Dividend per share ¥18.00
c. Record date December 31, 2013
d. Effective date March 28, 2014

Approvals by the Board of Directors Meeting held on August 6, 2014 were as follows:

Dividend on common stock

a. Total amount of dividend ¥17,352 million
b. Dividend per share ¥19.00
c. Record date June 30, 2014
d. Effective date September 4, 2014

(2) Dividends whose record date is attributable to, but to be effective after, the year

The Company received the approval at the Annual General Meeting of Shareholders held on March 27, 2015 as follows:

Dividend on common stock

a. Total amount of dividend ¥17,338 million
b. Source of dividends Retained earnings
c. Dividend per share ¥19.00
d. Record date December 31, 2014
e. Effective date March 30, 2015

18. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

1. Reconciliation of cash

Reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows is as follows:

	December 31, 2015	December 31, 2014	December 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and time deposits	**¥66,465**	¥49,450	**$551,073**
Marketable securities	**5,538**	9,456	**45,916**
Other receivables	**-**	184	**-**
Fixed term deposits over three months	**(6,128)**	(8,905)	**(50,808)**
Equity securities, bonds and others with maturities exceeding three months	**(5,538)**	(9,456)	**(45,916)**
Cash and cash equivalents	**¥60,336**	¥40,730	**$500,257**

2. Contribution to retirement benefit trust

In the year ended December 31, 2014, Kyowa Hakko Kirin Co., Ltd., which is a consolidated subsidiary of the Company, and its certain consolidated subsidiaries contributed ¥19,000 million in cash to the retirement benefit trust, aiming at further fiscal consolidation of retirement benefits.

3. Assets and liabilities of newly consolidated subsidiaries by acquisition of shares

Year ended December 31, 2015

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 for the fiscal year ended December 31, 2015 are as follows:

	December 31, 2015	
	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	**¥ 18,832**	**$ 156,139**
Non-current assets	**62,825**	**520,893**
Goodwill	**28,361**	**235,146**
Current liabilities	**(4,518)**	**(37,459)**
Non-current liabilities	**(9,138)**	**(75,764)**
Minority interests	**(30,600)**	**(253,710)**
Acquisition cost of shares	**65,761**	**545,236**
Cash and cash equivalents of the acquired companies	**(12,883)**	**(106,815)**
Payment for acquisition of shares of newly consolidated subsidiaries	**¥ 52,877**	**$ 438,413**

Year ended December 31, 2014

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 for the fiscal year ended December 31, 2014 are as follows:

	December 31, 2014
	(Millions of yen)
Current assets	¥ 6,646
Non-current assets	23,866
Goodwill	17,114
Current liabilities	(27,226)
Non-current liabilities	(3,416)
Acquisition cost of shares	16,984
Cash and cash equivalents of the acquired companies	(2,473)
Payment for acquisition of shares of newly consolidated subsidiaries	¥ 14,510

19. INCOME TAXES

Significant components of deferred tax assets and liabilities as of December 31, 2015 and 2014 were as follows:

	December 31, 2015	December 31, 2014	December 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Goodwill recognized by a foreign subsidiary for tax purposes*	**¥ 32,880**	¥ 57,977	**$ 272,614**
Loss carried forward	**56,337**	53,489	**467,100**
Net defined benefit liability	**20,027**	24,165	**166,047**
Depreciation	**10,027**	9,232	**83,135**
Deemed dividend	**7,523**	8,455	**62,374**
Retirement benefit trust	**6,242**	6,953	**51,753**
Deferred assets	**6,234**	5,943	**51,687**
Long-term accrued expenses	**4,293**	5,361	**35,594**
Other	**76,839**	90,763	**637,086**
Sub-total	**220,404**	262,342	**1,827,410**
Less valuation allowance	**(121,370)**	(130,463)	**(1,006,301)**
Total deferred tax assets	**¥ 99,034**	¥ 131,879	**$ 821,109**

*Goodwill recognized by a foreign subsidiary for tax purposes relates to a merger between Brazilian subsidiaries.

	December 31, 2015	December 31, 2014	December 31, 2015
Deferred tax liabilities:			
Adjustment of carrying amount based on fair value	**¥ (36,623)**	¥ (52,777)	**$ (303,648)**
Net unrealized gains on securities	**(28,059)**	(27,369)	**(232,642)**
Reserve for deferred gains on sale of property	**(8,701)**	(9,958)	**(72,141)**
Revaluation of property of foreign subsidiaries	**(8,518)**	(15,502)	**(70,624)**
Other	**(16,563)**	(22,161)	**(137,326)**
Total deferred tax liabilities	**(98,466)**	(127,769)	**(816,399)**
Net deferred tax assets (liabilities)	**¥ 567**	¥ 4,109	**$ 4,701**
Deferred tax asset due to land revaluation:			
Deferred tax asset due to land revaluation	**576**	635	**4,775**
Less valuation allowance	**(576)**	(635)	**(4,775)**
Total deferred tax asset due to land revaluation	**-**	-	**-**
Deferred tax liability due to land revaluation:			
Deferred tax liability due to land revaluation	**(1,167)**	(1,286)	**(9,675)**
Net deferred tax liability due to land revaluation	**¥ (1,167)**	¥ (1,286)	**$ (9,675)**

Deferred tax assets and liabilities were included in the consolidated balance sheets as of December 31, 2015 and 2014 as follows:

	December 31, 2015	December 31, 2014	December 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Current assets — Deferred tax assets	**¥ 29,396**	¥ 29,854	**$ 243,727**
Non-current assets — Deferred tax assets	**27,097**	49,380	**224,666**
Current liabilities — Other	**(27)**	(260)	**(223)**
Non-current liabilities — Deferred tax liabilities	**(55,899)**	(74,865)	**(463,469)**

The Company is subject to a national corporate tax, an inhabitant tax and deductible enterprise tax, which in the aggregate resulted in the statutory tax rate of approximately 35.6% and 38.0% for the years ended December 31, 2015 and 2014, respectively.
The following table summarizes significant differences between the statutory tax rate and the effective tax rate for the years ended December 31, 2015 and 2014:

	2015	2014
	(%)	(%)
Statutory tax rate	**35.6**	38.0
Adjustments		
Permanent difference - expenses	**18.9**	11.1
Permanent difference - income	**(3.4)**	(2.6)
Amortization of intangible assets	**63.9**	26.3
Impairment of goodwill	**138.5**	-
Equity in earnings of affiliates	**(33.6)**	(1.2)
Change in valuation allowance	**118.0**	(4.9)
Tax benefits of foreign subsidiaries	**(30.4)**	(10.6)
Difference in tax rate between the Company and its consolidated subsidiaries	**12.6**	(4.4)
Reduction of deferred tax assets due to change in tax rate	**16.4**	2.1
Tax credits	**(36.2)**	(5.9)
Effect of consolidation journal entries	**(34.6)**	(5.5)
Others	**(2.2)**	0.0
Effective tax rate	**263.5**	42.4

Following the promulgation of the “Partial Revision of Income Tax Act, etc.” (Act No. 9 of 2015) and the “Partial Revision of Local Tax Act, etc.” (Act No. 2 of 2015) on March 31, 2015, the statutory tax rate will be lowered in stages from the fiscal years beginning on or after April 1, 2015. As a result, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities as of December 31, 2015 was changed from the previous 35.6% to 33.1% for temporary differences expected to be eliminated during the fiscal year beginning on January 1, 2016, and 32.2% for temporary differences expected to be eliminated during the fiscal years beginning on or after January 1, 2017.
As a result of this change, as of and for the year ended December 31, 2015, deferred tax assets decreased by ¥446 million ($3,697 thousand). Additionally, income taxes-deferred, net unrealized gains on securities, remeasurements of defined benefit plans, and deferred gains or losses on hedges increased by ¥2,856 million ($23,679 thousand), ¥2,863 million ($23,737 thousand), ¥423 million ($3,507 thousand), and ¥31 million ($257 thousand), respectively.
In addition, deferred tax liability due to land revaluation and land revaluation difference both decreased by ¥119 million ($986 thousand).

20. FINANCIAL INSTRUMENTS

1. Overview of financial instruments

(1) Policy for financial instruments

The basic policy of the Company and its consolidated subsidiaries is to effectively obtain necessary funds according to changes in business environment. Currently, funds are mainly obtained through bank borrowings, and issuance of commercial paper and bonds. Temporary surplus funds are invested in highly secure financial assets such as time deposits. Derivatives are used, not for speculative purpose, but to avoid the risks mentioned below.

(2) Types of financial instruments and related risks

Trade receivables, such as notes and accounts receivable, trade, are exposed to customer credit risk. Trade receivables denominated in foreign currencies arising from global business development are exposed to foreign currency exchange risk. Marketable securities and investment securities, which mainly consist of stocks issued by companies with which the Company and its consolidated subsidiaries have business relationships, are exposed to market risk.
Substantially all trade payables, such as notes and accounts payable, trade, have payment due dates within one year. Some trade payables denominated in foreign currencies arising from import of raw materials are exposed to foreign currency exchange risk.
The purpose of short-term loans payable and commercial paper is mainly to fund short-term working capital and the purpose of long-term debt and bonds is mainly to fund necessary amounts for investments and long-term working capital. Some loans payable bear variable interest rates and are exposed to interest rate fluctuation risk.
Regarding derivatives, the Company and its consolidated subsidiaries enter into forward foreign exchange contracts, currency swaps and other instruments for the purpose of hedging foreign currency exchange risk deriving from trade receivables and payables denominated in foreign currencies and loans to group companies, and interest rate swaps for the purpose of hedging interest rate fluctuation risk deriving from interest payments on debt. Please refer to Note 2 (24) for hedging instruments and hedged items, hedging policy and method to evaluate hedging effectiveness.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the default risk for customers and counterparties)
In accordance with the internal policies of the Company and its consolidated subsidiaries for managing credit risk arising from trade receivables, each related sales division monitors credit worthiness of their main customers and counterparties on a periodical basis and monitors due dates and outstanding balances by individual customer. In addition, the Company and its consolidated subsidiaries are making efforts to quickly identify and mitigate risks of bad debts from customers who are having financial difficulties.
The Company and its consolidated subsidiaries believe that the credit risk of derivatives is insignificant as it enters into derivatives only with financial institutions which have a high credit rating.

(b) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)
Regarding trade receivables and payables denominated in foreign currencies, the Company and its consolidated subsidiaries generally utilize forward foreign exchange contracts and other instruments to hedge the foreign currency exchange risks identified for each currency on a monthly basis. Currency swaps are utilized to mitigate interest rate risk on loans denominated in foreign currencies which are made to foreign subsidiaries. In addition, interest rate swaps are utilized to mitigate interest rate fluctuation risk deriving from interest payments on debt.
For marketable securities and investment securities, the Company and its consolidated subsidiaries periodically review their fair values and the financial position of the issuers. Additionally, the Company and its consolidated subsidiaries continuously evaluate whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.
In conducting and managing derivative transactions, the division in charge of each derivative transaction follows the internal management policies, which define delegation of authority and position limits. Actual transaction data are regularly reported to the Director of Financial Division.

(c) Monitoring of liquidity risk related to fund procurement (the risk that the Company and its consolidated subsidiaries may not be able to meet their obligations on scheduled due dates)
In order to manage liquidity risk, the Company and its consolidated subsidiaries timely prepare and update cash flow plans based upon the report from each division and maintain fund liquidity.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price. When no quoted market price is available, fair value is reasonably estimated. Since various variable assumptions are reflected in estimating the fair value, different assumptions could result in different fair values. In addition, the notional amounts of derivatives as stated at 2. Fair values of financial instruments on the following page do not reflect the actual market risk exposure involved in derivative transactions.

2. Fair values of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of December 31, 2015 and 2014, their fair values, and the differences. Financial instruments whose fair values are deemed extremely difficult to assess are not included.

	December 31, 2015					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Assets						
(1) Cash and time deposits	**¥ 66,465**	**¥ 66,465**	**¥ -**	**$ 551,073**	**$ 551,073**	**$ -**
(2) Notes and accounts receivable, trade	**397,692**	**397,692**	**-**	**3,297,338**	**3,297,338**	**-**
(3) Marketable and investment securities						
Available-for-sale securities	**163,174**	**163,174**	**-**	**1,352,906**	**1,352,906**	**-**
Total assets	**627,331**	**627,331**	**-**	**5,201,318**	**5,201,318**	**-**
Liabilities						
(1) Notes and accounts payable, trade	**142,052**	**142,052**	**-**	**1,177,779**	**1,177,779**	**-**
(2) Short-term loans payable and long-term debt with current maturities	**128,160**	**128,160**	**-**	**1,062,598**	**1,062,598**	**-**
(3) Commercial paper	**-**	**-**	**-**	**-**	**-**	**-**
(4) Bonds due within one year	**30,000**	**30,093**	**93**	**248,735**	**249,506**	**771**
(5) Liquor taxes payable	**84,904**	**84,904**	**-**	**703,954**	**703,954**	**-**
(6) Income taxes payable	**20,281**	**20,281**	**-**	**168,153**	**168,153**	**-**
(7) Bonds	**194,991**	**204,079**	**9,087**	**1,616,706**	**1,692,057**	**75,342**
(8) Long-term debt	**403,952**	**409,473**	**5,520**	**3,349,241**	**3,395,016**	**45,767**
Total liabilities	**1,004,343**	**1,019,044**	**14,701**	**8,327,195**	**8,449,083**	**121,888**
Derivative transactions (*)	**¥ 5,365**	**¥ 5,365**	**¥ -**	**$ 44,482**	**$ 44,482**	**$ -**

(*) Derivatives are stated as the net of assets and liabilities. The figures in parentheses indicate net liabilities.

	December 31, 2014		
	Carrying amount	Fair value	Difference
	(Millions of yen)		
Assets			
(1) Cash and time deposits	¥ 49,450	¥ 49,450	¥ -
(2) Notes and accounts receivable, trade	408,709	408,709	-
(3) Marketable and investment securities			
Available-for-sale securities	168,228	168,228	-
Total assets	626,388	626,388	-
Liabilities			
(1) Notes and accounts payable, trade	160,106	160,106	-
(2) Short-term loans payable and long-term debt with current maturities	99,096	99,096	-
(3) Commercial paper	83,994	83,994	-
(4) Bonds due within one year	51,832	52,161	328
(5) Liquor taxes payable	83,400	83,400	-
(6) Income taxes payable	12,154	12,154	-
(7) Bonds	209,988	222,006	12,017
(8) Long-term debt	359,012	364,317	5,304
Total liabilities	1,059,585	1,077,236	17,651
Derivative transactions (*)	¥ (9,086)	¥ (9,086)	¥ -

(*) Derivatives are stated as the net of assets and liabilities. The figures in parentheses indicate net liabilities.

Notes:

1. Fair value measurement of financial instruments, including securities and derivatives

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable, trade

The fair value of these items approximates their carrying amount because of their short-term nature.

(3) Marketable and investment securities

The fair values of equity securities are measured based on quoted market prices. The fair values of bond securities are measured by the quoted market prices or the prices obtained from financial institutions. Please refer to Note 12 for matters relating to securities by categories.

Liabilities

(1) Notes and accounts payable, trade, (2) Short-term loans payable and long-term debt with current maturities, (3) Commercial Paper, (5) Liquor taxes payable, and (6) Income taxes payable

The fair value of these items approximates their carrying amount because of their short-term nature.

(4) Bonds due within one year and (7) Bonds

The fair value of bonds is based on the market price, when market prices are readily available. The fair value of bonds without market price is measured as the present value, calculated by discounting the combined total of principal and interest by a rate with the current maturity and credit risk taken into account.

(8) Long-term debt

The fair value of long-term debt is measured as the present value, calculated by discounting the combined total of principal and interest by an assumed interest rate for similar new borrowings. However, for long-term debt which is the hedged item for interest rate swaps and certain hedging criteria are met, the present value is calculated by discounting the combined total of principal and interest translated at the rates of relevant interest rate swaps. For long-term debt which is the hedged item for derivative transactions for which appropriation treatment has been applied, the combined total of principal and interest is considered as yen-denominated fixed interest borrowing.

2. Carrying amounts of financial instruments for which fair values are deemed extremely difficult to assess are as follows:

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Investment securities			
a. Unlisted equity securities (Equity securities issued by affiliates and others)	**¥234,150**	¥224,557	**$1,941,381**
b. Unlisted equity securities (Available-for-sale securities)	**15,416**	20,103	**127,816**
c. Other	**1,685**	33	**13,970**
Investment and other assets - other			
Investments in equity of affiliates and others	**297**	297	**2,462**
Deposits received	**56,701**	61,212	**470,118**

The fair values of these items are not shown in the table above because their market prices are not available and the fair values are deemed extremely difficult to assess.

3. Redemption schedules for monetary receivables and marketable securities with maturities as of December 31, 2015 and 2014 are as follows:

	December 31, 2015							
	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)			
Cash and time deposits	**¥ 66,465**	**¥ -**	**¥-**	**¥-**	**$ 551,073**	**$ -**	**$-**	**$-**
Notes and accounts receivable, trade	**397,692**	**-**	**-**	**-**	**3,297,338**	**-**	**-**	**-**
Marketable and investment securities								
Available-for-sale securities with maturity								
Debt securities (others)	**3,294**	**2,243**	**-**	**-**	**27,311**	**18,597**	**-**	**-**
Total	**¥467,451**	**¥2,243**	**¥-**	**¥-**	**$3,875,723**	**$18,597**	**$-**	**$-**

	December 31, 2014			
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	(Millions of yen)			
Cash and time deposits	¥ 49,450	¥ -	¥-	¥-
Notes and accounts receivable, trade	408,709	-	-	-
Marketable and investment securities				
Available-for-sale securities with maturity				
Debt securities (others)	6,296	3,159	-	-
Total	¥464,455	¥3,159	¥-	¥-

4. Redemption schedules for bonds, long-term debt and other interest bearing liabilities as of December 31, 2015 and 2014 are as follows:

	December 31, 2015					
	Due within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Millions of yen)					
Short-term loans payable and long-term debt with current maturities	**¥ 128,160**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ -**
Bonds due within one year	**30,000**	**-**	**-**	**-**	**-**	**-**
Bonds	**-**	**-**	**69,996**	**50,000**	**19,994**	**55,000**
Long-term debt	**-**	**79,518**	**55,658**	**67,904**	**80,094**	**120,776**
Total	**¥ 158,160**	**¥ 79,518**	**¥125,655**	**¥117,904**	**¥100,088**	**¥175,776**

	December 31, 2015					
	Due within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of U.S. dollars)					
Short-term loans payable and long-term debt with current maturities	**$1,062,598**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Bonds due within one year	**248,735**	**-**	**-**	**-**	**-**	**-**
Bonds	**-**	**-**	**580,349**	**414,559**	**165,773**	**456,015**
Long-term debt	**-**	**659,298**	**461,470**	**563,004**	**664,074**	**1,001,376**
Total	**$1,311,334**	**$659,298**	**$1,041,829**	**$977,564**	**$829,848**	**$1,457,391**

	December 31, 2014					
	Due within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Millions of yen)					
Short-term loans payable and long-term debt with current maturities	¥ 99,096	¥ -	¥ -	¥ -	¥ -	¥ -
Commercial paper	83,994	-	-	-	-	-
Bonds due within one year	51,832	-	-	-	-	-
Bonds	-	30,000	-	69,995	50,000	59,993
Long-term debt	-	98,896	75,894	56,289	65,057	62,875
Total	¥234,922	¥128,896	¥75,894	¥126,284	¥115,057	¥122,868

21. DERIVATIVE TRANSACTIONS

1. Notional amount and fair value of derivative transactions for which hedge accounting has not been applied for the years ended December 31, 2015 and 2014 are summarized as follows:

Currency-related transactions

		December 31, 2015							
Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		(Millions of yen)				(Thousands of U.S. dollars)			
Non-market transactions	Forward foreign exchange contracts								
	Sell								
	USD	**¥ 5,551**	**¥-**	**¥ 48**	**¥ 48**	**$ 46,024**	**$-**	**$ 397**	**$ 397**
	EUR	**1,848**	**-**	**22**	**22**	**15,322**	**-**	**182**	**182**
	KRW	**1,900**	**-**	**0**	**0**	**15,753**	**-**	**0**	**0**
	TWD	**999**	**-**	**7**	**7**	**8,282**	**-**	**58**	**58**
	GBP	**795**	**-**	**36**	**36**	**6,591**	**-**	**298**	**298**
	Buy								
	EUR	**53**	**-**	**(0)**	**(0)**	**439**	**-**	**(0)**	**(0)**
	KRW	**2**	**-**	**(0)**	**(0)**	**16**	**-**	**(0)**	**(0)**
	TWD	**0**	**-**	**(0)**	**(0)**	**0**	**-**	**(0)**	**(0)**
	Currency swap								
	Receive JPY, pay USD	**5,658**	**-**	**(9)**	**(9)**	**46,911**	**-**	**(74)**	**(74)**
	Receive JPY, pay GBP	**20,806**	**-**	**338**	**338**	**172,506**	**-**	**2,802**	**2,802**
	Receive JPY, pay THB	**5,813**	**-**	**84**	**84**	**48,196**	**-**	**696**	**696**
Total		**¥43,430**	**¥-**	**¥528**	**¥528**	**$360,086**	**$-**	**$4,377**	**$4,377**

Fair value is based on the prices obtained from forward exchange market or financial institutions.

		December 31, 2014			
Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		(Millions of yen)			
Non-market transactions	Forward foreign exchange contracts				
	Sell				
	USD	¥ 5,138	¥-	¥ (538)	¥ (538)
	EUR	1,902	-	(63)	(63)
	KRW	1,200	-	(107)	(107)
	TWD	759	-	(23)	(23)
	GBP	634	-	(39)	(39)
	Buy				
	USD	7,973	-	433	433
	EUR	1,583	-	2	2
	JPY	20,004	-	(1,529)	(1,529)
	Currency swap				
	Receive JPY, pay USD	5,419	-	(6)	(6)
	Receive JPY, pay GBP	33,358	-	(363)	(363)
	Receive JPY, pay THB	3,261	-	(79)	(79)
Total		¥81,237	¥-	¥(2,314)	¥(2,314)

Fair value is based on the prices obtained from forward exchange market or financial institutions.

Commodity-related transactions

There was no applicable transaction for the fiscal year ended December 31, 2015.

		December 31, 2014			
Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		(Millions of yen)			
Non-market transactions	Commodity swap				
	Receive floating, pay fixed	¥2,132	¥-	¥(117)	¥(117)
Total		¥2,132	¥-	¥(117)	¥(117)

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

2. The notional amount and fair value of derivative transactions for which hedge accounting has been applied are summarized as follows:

Currency-related transactions

		December 31, 2015					
Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair value	Notional amount	Portion due after one year included therein	Fair value
		(Millions of yen)			(Thousands of U.S. dollars)		
Derivative transactions for which deferral hedge accounting has been applied							
Forward foreign exchange contracts	Forecasted transactions in foreign currency						
Sell							
USD		**¥ 32,364**	**¥ 12,054**	**¥(3,759)**	**$ 268,335**	**$ 99,941**	**$(31,166)**
EUR		**550**	**-**	**(58)**	**4,560**	**-**	**(480)**
NZD		**1,286**	**-**	**203**	**10,662**	**-**	**1,683**
GBP		**152**	**-**	**(20)**	**1,260**	**-**	**(165)**
Other		**61**	**-**	**(1)**	**505**	**-**	**(8)**
Buy							
USD		**77,827**	**23,352**	**7,241**	**645,278**	**193,615**	**60,036**
EUR		**2,828**	**-**	**172**	**23,447**	**-**	**1,426**
NZD		**120**	**-**	**1**	**994**	**-**	**8**
GBP		**157**	**-**	**7**	**1,301**	**-**	**58**
SGD		**100**	**-**	**(0)**	**829**	**-**	**(0)**
JPY		**20,000**	**-**	**1,422**	**165,823**	**-**	**11,790**
Currency swap	Short-term loans payable						
Receive USD, pay BRL		**3,064**	**-**	**(50)**	**25,404**	**-**	**(414)**
Derivative transactions for which appropriation treatment has been applied							
Currency swap	Long-term debt						
Receive USD, pay JPY		**142,044**	**142,044**	**Note 2**	**1,177,713**	**1,177,713**	**Note 2**
Total		**¥280,557**	**¥177,452**	**¥ 5,157**	**$2,326,150**	**$1,471,287**	**$ 42,757**

Notes:

1. Fair value is based on the prices obtained from forward exchange market or financial institutions.
2. Forward foreign exchange contracts for which appropriation treatment has been applied are accounted for together with long-term debt designated as the hedged item. Therefore, their fair values are included in the fair value of the hedged long-term debt.

Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair value
		December 31, 2014		
		(Millions of yen)		
Derivative transactions for which deferral hedge accounting has been applied				
Forward foreign exchange contracts	Forecasted transactions in foreign currency			
Sell				
USD		¥ 3,972	¥ 346	¥ 98
AUD		338	-	6
Other		78	-	(1)
Buy				
USD		24,684	3,364	1,281
EUR		1,758	31	(8)
GBP		105	0	2
Currency swap	Debt and bonds			
Receive USD, pay AUD		29,516	-	(7,075)
Currency option	Forecasted transactions in foreign currency			
Sell Put				
USD		978	-	0
Buy Call				
USD		1,051	-	(49)
Derivative transactions for which appropriation treatment has been applied				
Currency swap	Long-term debt			
Receive USD, pay JPY		70,000	40,000	Note 2
Total		¥132,484	¥ 43,743	¥(5,746)

Notes:

1. Fair value is based on the prices obtained from forward exchange market or financial institutions.
2. Forward foreign exchange contracts for which appropriation treatment has been applied are accounted for together with long-term debt designated as the hedged item. Therefore, their fair values are included in the fair value of the hedged long-term debt.

Interest-rate related transactions

Type of transaction	Hedged item	**December 31, 2015** Notional amount	Portion due after one year included therein	Fair value	Notional amount	Portion due after one year included therein	Fair value
		(Millions of yen)			(Thousands of U.S. dollars)		
Derivative transactions for which special treatment has been applied							
Interest rate swap	Long-term debt						
Receive floating, pay fixed		**¥309,644**	**¥261,044**	**Note 2**	**$2,567,316**	**$2,164,364**	**Note 2**
Total		**¥309,644**	**¥261,044**	**¥-**	**$2,567,316**	**$2,164,364**	**$-**

Notes:

1. Fair value is based on the prices obtained from financial institutions.
2. Interest rate swaps for which special treatment has been applied are accounted for together with long-term debt designated as the hedged item. Therefore, their fair values are included in the fair value of the hedged long-term debt.

Type of transaction	Hedged item	December 31, 2014 Notional amount	Portion due after one year included therein	Fair value
		(Millions of yen)		
Derivative transactions for which deferral hedge accounting has been applied				
Interest rate swap	Debt and bonds			
Receive floating, pay fixed		¥ 29,516	¥ -	¥(915)
Derivative transactions for which special treatment has been applied				
Interest rate swap	Long-term debt			
Receive floating, pay fixed		237,600	207,600	Note 2
Total		¥267,116	¥207,600	¥(915)

Notes:

1. Fair value is based on the prices obtained from financial institutions.
2. Interest rate swaps for which special treatment has been applied are accounted for together with long-term debt designated as the hedged item. Therefore, their fair values are included in the fair value of the hedged long-term debt.

Commodity-related transactions

Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair value	Notional amount	Portion due after one year included therein	Fair value
		December 31, 2015					
		(Millions of yen)			(Thousands of U.S. dollars)		
Derivative transactions for which deferral hedge accounting has been applied							
Commodity swap Receive floating, pay fixed	Sugar	**¥ 604**	**¥ -**	**¥ (38)**	**$ 5,007**	**$ -**	**$ (315)**
Commodity swap Receive floating, pay fixed	Aluminum	**6,852**	**1,008**	**(281)**	**56,811**	**8,357**	**(2,329)**
Total		**¥7,456**	**¥1,008**	**¥(320)**	**$61,819**	**$8,357**	**$(2,653)**

Note: Fair value is based on the prices obtained from financial institutions.

Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair value
		December 31, 2014		
		(Millions of yen)		
Derivative transactions for which deferral hedge accounting has been applied				
Commodity swap Receive floating, pay fixed	Sugar	¥271	¥-	¥7
Total		¥271	¥-	¥7

Note: Fair value is based on the prices obtained from financial institutions.

22. EMPLOYEES' PENSION AND RETIREMENT BENEFITS

The Company and its consolidated subsidiaries provide three types of contributory defined benefit plans, namely: lump-sum severance payment plan; defined benefit corporate pension plan; and employees' pension fund 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.
Net defined benefit liability and retirement benefit expenses of certain consolidated subsidiaries are calculated by a simplified method.

Defined Benefit Plans

(1) The changes in retirement benefit obligation for the years ended December 31, 2015 and 2014 were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Balance as of January 1,	**¥ 321,457**	¥ 297,719	**$ 2,665,259**
Cumulative effect of changes in accounting policies	**6,489**	-	**53,801**
Restated balance	**327,946**	297,719	**2,719,061**
Current service costs	**12,154**	9,081	**100,771**
Interest cost	**2,433**	6,493	**20,172**
Actuarial losses (gains)	**(212)**	27,023	**(1,757)**
Benefits paid	**(20,239)**	(17,841)	**(167,805)**
Past service costs	**(22)**	(3,260)	**(182)**
Changes due to partial termination of plans	**(14,122)**	-	**(117,088)**
Other	**296**	2,240	**2,454**
Balance as of December 31,	**¥ 308,236**	¥ 321,457	**$ 2,555,642**

(2) The changes in plan assets for the years ended December 31, 2015 and 2014 were as follows:

	Year ended December 31, 2015	2014	Year ended December 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Balance as of January 1,	**¥ 267,804**	¥228,999	**$ 2,220,412**
Expected return on plan assets	**6,171**	5,897	**51,164**
Actuarial gains (losses)	**(1,864)**	12,284	**(15,454)**
Employer contributions	**9,256**	30,540	**76,743**
Benefits paid	**(13,130)**	(12,623)	**(108,863)**
Changes due to partial termination of plans	**(9,677)**	-	**(80,233)**
Other	**533**	2,705	**4,419**
Balance of December 31,	**¥ 259,093**	¥267,804	**$ 2,148,188**

Note: "Employer contributions" for the year ended December 31, 2014 includes contribution of ¥19,000 million to retirement benefit trust.

(3) Reconciliation between the balances of retirement benefit obligation and plan assets as of December 31, 2015 and 2014 and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet were as follows:

	December 31, 2015	2014	December 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligation	**¥ 264,447**	¥273,925	**$ 2,192,579**
Plan assets	**(259,093)**	(267,804)	**(2,148,188)**
	5,354	6,121	**44,391**
Unfunded retirement benefit obligation	**43,788**	47,531	**363,054**
Net liability (asset) recorded in the consolidated balance sheet	**¥ 49,142**	¥ 53,653	**$ 407,445**
Net defined benefit liability	**¥ 59,034**	¥ 60,483	**$ 489,461**
Net defined benefit asset	**(9,891)**	(6,830)	**(82,008)**
Net liability (asset) recorded in the consolidated balance sheet	**¥ 49,142**	¥ 53,653	**$ 407,445**

(4) The components of retirement benefit expenses for the years ended December 31, 2015 and 2014 were as follows:

	Year ended December 31, 2015	2014	Year ended December 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Current service costs	**¥ 12,154**	¥ 9,081	**$ 100,771**
Interest cost	**2,433**	6,493	**20,172**
Expected return on plan assets	**(6,171)**	(5,897)	**(51,164)**
Amortization of actuarial gains and losses	**5,478**	6,256	**45,419**
Amortization of past service costs	**(882)**	(659)	**(7,312)**
Other	**159**	102	**1,318**
Retirement benefit expenses of defined benefit plans	**¥ 13,172**	¥15,377	**$ 109,211**

Note: In addition to the above retirement benefit expenses, additional employees' retirement benefits and others were recognized as "Business restructuring expense" in special expenses, amounting to ¥2,784 million ($23,082 thousand) and ¥5,838 million for the years ended December 31, 2015 and 2014, respectively, and as "Other" in special expenses, amounting to ¥1,440 million for the year ended December 31, 2014.

(5) Remeasurements of defined benefit plans recorded under other comprehensive income

The components of remeasurements of defined benefit plans (before tax effects) recorded under other comprehensive income were as follows:

	December 31, 2015	December 31, 2014	December 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized past service costs	**¥ (1,472)**	¥ -	**$ (12,204)**
Unrecognized actuarial gains and losses	**952**	-	**7,893**
Total	**¥ (520)**	¥ -	**$ (4,311)**

(6) Remeasurements of defined benefit plans recorded under accumulated other comprehensive income

The components of remeasurements of defined benefit plans (before tax effects) recorded under accumulated other comprehensive income were as follows:

	December 31, 2015	December 31, 2014	December 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized past service costs	**¥ (2,669)**	¥ (4,141)	**$ (22,129)**
Unrecognized actuarial gains and losses	**21,545**	22,497	**178,633**
Total	**¥ 18,876**	¥ 18,355	**$ 156,504**

(7) Plan assets

a. Plan assets consisted of the following:

	December 31, 2015	December 31, 2014
Equity securities	**23%**	27%
Bonds	**32%**	34%
General life insurance account	**34%**	33%
Alternative investments	**6%**	5%
Other	**5%**	1%
Total	**100%**	100%

Plan assets include 7% held by retirement benefit trust established under certain lump-sum severance payment plans as of December 31, 2015 and 2014.

b. Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering the current and expected allocation of plan assets and the current and expected long-term rates of return on those components of plan assets.

(8) Actuarial assumptions used for the years ended December 31, 2015 and 2014.

	Year ended December 31, 2015	Year ended December 31, 2014
Discount rate	**Mainly 0.3%-1.1%**	Mainly 1.0%-1.7%
Long-term expected rate of return on plan assets	**Mainly 2.0%-3.0%**	Mainly 2.0%-3.0%

Defined Contribution Plans

The amounts of the required contribution to the defined contribution plans of the Company and consolidated subsidiaries for the years ended December 31, 2015 and 2014 were ¥7,302 million ($60,542 thousand) and ¥8,077 million, respectively.

23. STOCK OPTIONS

1. Expenses related to stock option plans
   Expenses related to stock option plans for the years ended December 31, 2015 and 2014 recorded in selling, general and administrative expenses in the consolidated statements of income were ¥120 million ($994 thousand) and ¥97 million, respectively.

2. Stock options outstanding as of December 31, 2015 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 ($0.008)
2006 Stock Option	7 directors 11 managing officers	Common stock 111,000 shares	June 29, 2006	¥1 ($0.008)
2009 Stock Option	6 directors 8 managing officers	Common stock 93,000 shares	June 26, 2009	¥1 ($0.008)
2010 Stock Option	6 directors 11 managing officers	Common stock 85,000 shares	April 1, 2010	¥1 ($0.008)
2011 Stock Option	6 directors 14 managing officers	Common stock 119,000 shares	April 1, 2011	¥1 ($0.008)
2012 Stock Option	5 directors 17 managing officers	Common stock 126,000 shares	April 27, 2012	¥1 ($0.008)
2013 Stock Option	5 directors 17 managing officers	Common stock 129,000 shares	March 23, 2013	¥1 ($0.008)
2014 Stock Option	5 directors 16 managing officers	Common stock 98,000 shares	March 21, 2014	¥1 ($0.008)
2015 Stock Option	5 directors 16 managing officers	Common stock 82,000 shares	March 21, 2015	¥1 ($0.008)

Stock option	Vesting condition	Applicable period of service	Exercisable period
2005 Stock Option	No provisions	No provisions	June 29, 2005 - June 28, 2025
2006 Stock Option	No provisions	No provisions	June 30, 2006 - June 28, 2026
2009 Stock Option	No provisions	No provisions	June 27, 2009 - June 25, 2029
2010 Stock Option	No provisions	No provisions	April 2, 2010 - March 24, 2030
2011 Stock Option	No provisions	No provisions	April 2, 2011 - March 24, 2031
2012 Stock Option	No provisions	No provisions	April 28, 2012 - March 22, 2032
2013 Stock Option	No provisions	No provisions	March 24, 2013 - March 22, 2033
2014 Stock Option	No provisions	No provisions	March 22, 2014 - March 20, 2034
2015 Stock Option	No provisions	No provisions	March 22, 2015 - March 20, 2035

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

Number and movement of stock options
The following tables are based on the stock options which existed as of December 31, 2015. The 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	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested									
Outstanding at December 31, 2014	-	-	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-	-	82,000
Forfeited	-	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-	82,000
Outstanding at December 31, 2015	-	-	-	-	-	-	-	-	-
Vested									
Outstanding at December 31, 2014	6,000	5,000	12,000	28,000	60,000	90,000	102,000	93,000	-
Vested	-	-	-	-	-	-	-	-	82,000
Exercised	-	-	-	4,000	5,000	6,000	6,000	5,000	-
Forfeited	-	-	-	-	-	-	-	-	-
Outstanding at December 31, 2015	**6,000**	**5,000**	**12,000**	**24,000**	**55,000**	**84,000**	**96,000**	**88,000**	**82,000**

3. Price information of stock options as of December 31, 2015

	2005 Stock Option	2006 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price (yen)	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Average market price of the stock at the time of exercise (yen)	**-**	**-**	**-**	**1,570**	**1,570**	**1,570**	**1,570**	**1,570**	**-**
Fair valuation price at the date of grant (yen)	**-**	**705**	**1,014**	**940**	**741**	**786**	**1,003**	**956**	**1,539**

4. Method of estimating the fair value of stock options

The fair value of the 2015 Stock Option is estimated using the Black-Scholes model. The following assumptions were used to determine the fair value.

Share price variability (Note 1)	7.9%
Projected remaining period (Note 2)	1 year
Projected dividend (Note 3)	¥25 per share
Risk-free interest rate (Note 4)	0.10%

Notes:
1. Calculated based on share price results over one year (from March 2014 to February 2015).
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. The projected dividend for the fiscal year ended December 31, 2015.
4. The rate of return on government bonds over the projected remaining period.

5. Method of reflecting expirations
Actual expirations are used because reasonable estimations of the future expirations are difficult.

24. 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, the revaluation difference 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 (“the Ordinance”) enacted on March 31, 1998. Where the road rating was not provided, adjusted valuation for real estate tax prescribed in Article 2, Item 3 of the Ordinance was used.

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Difference between the fair value and carrying amount of the revalued land	**¥4,249**	¥4,399	**$35,229**

25. RELATED PARTY TRANSACTIONS

1. Transactions with related parties
Disclosure is omitted since there are no material related party transactions.

2. Notes relating to the parent company and major affiliate
Summarized financial information of major affiliate
As of December 31, 2015 and 2014, San Miguel Brewery Inc. ("San Miguel"), whose fiscal year-end is December 31, is the major affiliate of the Company. San Miguel's summarized financial information is shown below. The balance sheet items are based on the position as of the third quarter end of San Miguel, and the statement of income items are based on the results of the 12 month period from the previous fourth quarter to the current third quarter of San Miguel, which are the amounts used in preparing the consolidated financial statements of the Company.

	December 31,		December 31,
	2015	2014	**2015**
	(Millions of yen)		(Thousands of U.S. dollars)
Total current assets	**¥ 59,118**	¥ 44,161	**$ 490,158**
Total non-current assets	**150,351**	145,385	**1,246,588**
Total deferred assets	**22,848**	21,547	**189,437**
Total current liabilities	**22,842**	20,597	**189,387**
Total non-current liabilities	**104,849**	102,630	**869,322**
Total net assets	**104,624**	87,866	**867,457**
Sales	**218,452**	182,623	**1,811,226**
Income before income taxes and minority interests	**54,653**	43,858	**453,138**
Net income	**36,769**	29,868	**304,858**

26. SUBSEQUENT EVENTS

There are no material subsequent events to report for the year ended December 31, 2015.

KPMG

Independent Auditor's Report

To the Board of Directors of
Kirin Holdings Company, Limited:

We have audited the accompanying consolidated financial statements of Kirin Holdings Company, Limited (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 (26) "Changes in Accounting Policies" to the consolidated financial statements, the Company has early applied "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013) and other standards from the year ended December 31, 2015.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2015 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 LLC

March 30, 2016
Tokyo, Japan