KIRIN HOLDINGS COMPANY, LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2010
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Consolidated Balance Sheets

Kirin Holdings Company, Limited and Consolidated Subsidiaries
December 31, 2010 and 2009

ASSETS	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Current Assets			
Cash (Notes 3 and 26)	**¥51,463**	¥125,558	**$631,525**
Notes and accounts receivable, trade (Note 3)	**415,268**	423,835	**5,095,938**
Merchandise and finished goods	**129,704**	138,937	**1,591,655**
Work in process	**19,917**	18,319	**244,410**
Raw materials and supplies	**38,191**	41,261	**468,658**
Deferred tax assets (Note 27)	**27,598**	24,146	**338,667**
Other	**46,884**	69,668	**575,334**
Allowance for doubtful accounts	**(1,939)**	(2,278)	**(23,794)**
Total Current Assets	**727,088**	839,450	**8,922,419**
Fixed Assets			
Property, plant and equipment (Notes 3 and 4)			
(Net of accumulated depreciation and accumulated loss from impairment)			
Buildings and structures	**227,330**	227,563	**2,789,667**
Machinery, equipment and vehicles	**187,436**	203,502	**2,300,110**
Land (Note 32)	**225,246**	227,671	**2,764,093**
Construction in progress	**61,103**	75,235	**749,822**
Other	**38,117**	40,300	**467,750**
Total	**739,235**	774,274	**9,071,481**
Intangible Assets			
Goodwill	**562,492**	605,210	**6,902,589**
Other	**95,864**	129,477	**1,176,389**
Total	**658,357**	734,688	**8,078,991**
Investments and Other Assets (Note 3)			
Investment securities (Notes 20, 23 and 28)	**428,383**	388,677	**5,256,878**
Long-term loans receivable	**-**	9,555	**-**
Deferred tax assets (Note 27)	**45,916**	59,096	**563,455**
Other (Note 23)	**57,645**	59,858	**707,387**
Allowance for doubtful accounts	**(7,430)**	(4,407)	**(91,176)**
Total	**524,515**	512,781	**6,436,556**
Total Fixed Assets	**1,922,108**	2,021,743	**23,587,041**
Total Assets	**¥2,649,197**	¥2,861,194	**$32,509,473**

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Current Liabilities			
Notes and accounts payable, trade	**¥169,036**	¥169,936	**$2,074,315**
Short-term loans payable and long-term debt with current maturities (Note 3)	**181,786**	259,425	**2,230,776**
Commercial papers (Note 3)	**10,999**	-	**134,973**
Bonds due within one year	**3,361**	12,521	**41,244**
Liquor taxes payable	**92,553**	99,489	**1,135,758**
Income taxes payable	**26,544**	22,806	**325,733**
Allowance for employees' bonuses	**6,367**	5,713	**78,132**
Allowance for bonuses for directors and corporate auditors	**237**	276	**2,908**
Reserve for loss on liquidation of business (Note 2)	-	2,628	-
Reserve for repair and maintenance (Note 2)	**601**	1,051	**7,375**
Accrued expenses	**88,166**	105,520	**1,081,924**
Deposits received	-	23,732	-
Other	**100,039**	90,992	**1,227,623**
Total Current Liabilities	**679,695**	794,096	**8,340,839**
Long-term Liabilities			
Bonds (Note 3)	**320,070**	324,904	**3,927,721**
Long-term debt (Note 3)	**262,720**	300,590	**3,223,953**
Deferred tax liabilities (Note 27)	**21,468**	32,083	**263,443**
Deferred tax liability due to land revaluation (Notes 27 and 32)	**1,471**	1,471	**18,051**
Employees' pension and retirement benefits (Note 30)	**66,882**	85,279	**820,738**
Retirement benefits for directors and corporate auditors	**302**	415	**3,705**
Reserve for repair and maintenance of vending machines	**4,738**	4,545	**58,142**
Reserve for loss on repurchase of land	-	1,170	-
Reserve for environmental measures (Note 2)	**1,172**	-	**14,382**
Deposits received (Note 3)	**73,663**	73,303	**903,951**
Other	**57,974**	44,464	**711,424**
Total Long-term Liabilities	**810,464**	868,228	**9,945,563**
Total Liabilities	**1,490,160**	1,662,324	**18,286,415**
NET ASSETS			
Shareholders' Equity (Note 24)			
Common stock			
Authorized - 1,732,026,000 shares			
Issued - 965,000,000 shares in 2010 and 984,508,387 shares in 2009	**¥102,045**	¥102,045	**$1,252,239**
Capital surplus	**81,412**	71,582	**999,042**
Retained earnings	**821,519**	860,538	**10,081,224**
Treasury stock, at cost 3,010,208 shares in 2010 and 31,167,235 shares in 2009	**(2,985)**	(30,486)	**(36,630)**
Total Shareholders' Equity	**1,001,992**	1,003,680	**12,295,889**
Valuation and Translation Adjustments			
Net unrealized holding gains on securities	**7,252**	18,279	**88,992**
Deferred gains or losses on hedges	**1,285**	(1,548)	**15,768**
Land revaluation difference (Note 32)	**(4,713)**	(4,713)	**(57,835)**
Foreign currency translation adjustments	**(43,341)**	(34,375)	**(531,856)**
Total Valuation and Translation Adjustments	**(39,516)**	(22,357)	**(484,918)**
Subscription Rights to Shares	**207**	196	**2,540**
Minority Interests	**196,352**	217,350	**2,409,522**
Total Net Assets	**1,159,036**	1,198,869	**14,223,045**
Total Liabilities and Net Assets	**¥2,649,197**	¥2,861,194	**$32,509,473**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**
Sales	**¥2,177,802**	¥2,278,473	¥2,303,569	**$26,724,776**
Less liquor taxes	**342,527**	359,743	380,691	**4,203,301**
Net sales	**1,835,274**	1,918,730	1,922,877	**22,521,462**
Cost of sales	**972,282**	1,024,078	1,012,204	**11,931,304**
Gross profit	**862,992**	894,652	910,673	**10,590,158**
Selling, general and administrative expenses (Note 6)	**711,380**	766,216	764,696	**8,729,660**
Operating income	**151,612**	128,435	145,977	**1,860,498**
Non-operating income				
Interest income	**1,223**	2,573	2,399	**15,007**
Dividend income	**3,616**	5,573	6,566	**44,373**
Equity in earnings of affiliates	**9,479**	8,902	11,833	**116,321**
Foreign currency translation gain (Note 8)	**-**	18,909	-	**-**
Other	**6,650**	6,656	7,027	**81,605**
Total	**20,970**	42,615	27,827	**257,332**
Non-operating expenses				
Interest expense	**22,047**	19,617	25,385	**270,548**
Loss on sale and disposal of finished goods	-	-	1,073	**-**
Foreign currency translation loss (Note 8)	**4,908**	-	37,287	**60,228**
Other	**4,656**	6,818	6,994	**57,135**
Total	**31,613**	26,435	70,739	**387,937**
Ordinary income	**140,969**	144,614	103,065	**1,729,893**
Special income				
Gain on sale of fixed assets	**7,950**	8,054	11,016	**97,557**
Reversal of allowance for doubtful accounts	-	-	222	**-**
Gain on sale of investment securities (Note 20)	**14,716**	34,631	2,313	**180,586**
Gain on change in equity (Note 12)	-	-	72,654	-
Reversal of reserve for repair and maintenance of vending machines	-	-	787	-
Compensation for expropriation (Note 13)	-	-	9,591	-
Gain on sale of shares of subsidiaries and affiliates	**122**	1,005	-	**1,497**
Gain on negative goodwill	**7,564**	-	-	**92,821**
Reversal of removal costs（Note 9）	**6,380**	-	-	**78,291**
Other	**3,114**	862	-	**38,213**
Total	**39,850**	44,553	96,585	**489,017**
Special expenses				
Loss on retirement of fixed assets	**6,637**	5,997	5,320	**81,445**
Loss on sale of fixed assets	**1,710**	2,007	322	**20,984**
Loss on impairment (Note 7)	**42,885**	38,843	3,564	**526,260**
Loss on devaluation of investment securities (Note 20)	**1,612**	8,363	5,878	**19,781**
Loss on sale of investment securities (Note 20)	**132**	2,038	607	**1,619**
Loss on sale of shares of subsidiaries and affiliates	**6,630**	21,661	-	**81,359**
Loss on reversal of foreign currency translation adjustments due to liquidation of a foreign subsidiary	**7,568**	-	-	**92,870**
Business restructuring expense (Note 14)	**7,155**	1,513	3,451	**87,802**
Expense of reserve for loss on liquidation of business (Note 2)	**-**	2,628	-	**-**
Expenses for integration (Note 15)	-	5,623	4,643	-
Non-recurring depreciation on fixed assets (Note 2)	-	3,299	762	-
Loss on devaluation of inventories (Note 2)	-	942	-	-
Loss on revision of retirement benefit plan (Note 10)	**7,226**	-	-	**88,673**
Loss on prior periods adjustment (Note 11)	**5,300**	-	-	**65,038**
Compensation for damages (Note 16)	**-**	-	1,937	-
Loss on liquidation of business (Note 17)	**-**	-	2,714	**-**
Amortization of goodwill (Note 18)	**-**	-	1,531	-
Loss of equity method investments (Note 19)	-	-	3,180	-
Other	**13,630**	3,635	-	**167,259**
Total	**100,492**	96,554	33,915	**1,233,181**

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**
Income before income taxes and minority interests	**80,327**	92,613	165,735	**985,728**
Income taxes - current	**55,077**	57,023	64,026	**675,874**
Income taxes - deferred	**1,576**	(28,108)	4,366	**19,339**
Income taxes for prior years- deferred (Note 11)	**1,169**	-	-	**14,345**
Minority interests	**11,109**	14,526	17,160	**136,323**
Net income	**¥11,394**	¥49,172	¥80,182	**$139,820**

	Yen			U.S. dollars (Note 1)
Earnings per share				
Primary	**¥11.95**	¥51.54	¥84.01	**$0.14**
Diluted	**11.93**	-	-	**0.14**
Cash dividends per share applicable to the year	**¥25.00**	¥23.00	¥23.00	**$0.29**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**
Common stock				
Number of shares (Thousands of shares) (Note 25)				
Balance at beginning of year	**984,508**	984,508	984,508	
Balance at end of year	**965,000**	984,508	984,508	
Amount				
Balance at beginning of year	**¥102,045**	¥102,045	¥102,045	**$1,252,239**
Balance at end of year	**¥102,045**	¥102,045	¥102,045	**$1,252,239**
Capital surplus				
Additional paid-in capital:				
Balance at beginning of year	**¥71,582**	¥71,536	¥71,353	**$878,414**
Issuance of new shares	**10,543**	-	-	**129,377**
Disposal of treasury stock	**27**	45	182	**331**
Retirement of treasury stock	**(28,276)**	-	-	**(346,987)**
Transfer to capital surplus from retained earnings	**27,535**	-	-	**337,894**
Balance at end of year	**¥81,412**	¥71,582	¥71,536	**$999,042**
Retained earnings				
Retained earnings at beginning of year	**¥860,538**	¥839,248	¥781,499	**$10,560,044**
Change due to adoption of ASBJ Practical Issues Task Force (PITF) No.18 (Note 2)	-	(6,355)	-	-
Change of items during the period				
Dividends from surplus (Note 25)	**(22,878)**	(21,949)	(22,432)	**(280,746)**
Net income	**11,394**	49,172	80,182	**139,820**
Change in scope of consolidation	-	(411)	-	-
Increase due to merger	-	55	-	-
Prior year adjustments for deferred taxes etc. of foreign affiliates	-	778	-	-
Transfer to capital surplus from retained earnings	**(27,535)**	-	-	**(337,894)**
Total changes of items during the period	**(39,019)**	27,646	57,749	**(478,819)**
Retained earnings at end of year	**¥821,519**	¥860,538	¥839,248	**$10,081,224**
Treasury stock				
Balance at beginning of year	**¥(30,486)**	¥(29,058)	¥(28,170)	**$(374,107)**
Purchase of treasury stock	**(881)**	(1,625)	(1,372)	**(10,811)**
Disposal of treasury stock	**128**	198	484	**1,570**
Retirement of treasury stock	**28,276**	-	-	**346,987**
Changes due to share exchange	**(23)**	-	-	**(282)**
Balance at end of year	**¥(2,985)**	¥(30,486)	¥(29,058)	**$(36,630)**
Shareholders' equity				
Balance at beginning of year	**¥1,003,680**	¥983,772	¥926,727	**$12,316,603**
Change due to adoption of ASBJ Practical Issues Task Force (PITF) No.18 (Note 2)	-	(6,355)	-	-
Changes of items during the period				
Issuance of new shares	**10,543**	-	-	**129,377**
Dividends from surplus (Note 25)	**(22,878)**	(21,949)	(22,432)	**(280,746)**
Net income	**11,394**	49,172	80,182	**139,820**
Change in scope of consolidation	-	(411)	-	-
Increase due to merger	-	55	-	-
Prior year adjustments for deferred taxes etc. of foreign affiliates	-	778	-	-
Purchase of treasury stock	**(881)**	(1,625)	(1,372)	**(10,811)**
Disposal of treasury stock	**156**	243	667	**1,914**
Retirement of treasury stock	-	-	-	-
Changes due to share exchange	**(23)**	-	-	**(282)**
Transfer to capital surplus from retained earnings	-	-	-	-
Total	**(1,687)**	26,264	57,044	**(20,701)**
Balance at end of year	**¥1,001,992**	¥1,003,680	¥983,772	**$12,295,889**
Net unrealized holding gains on securities				
Balance at beginning of year	**¥18,279**	¥37,430	¥124,743	**$224,309**
Net changes of items	**(11,027)**	(19,150)	(87,313)	**(135,317)**
Balance at end of year	**¥7,252**	¥18,279	¥37,430	**$88,992**

Deferred gains or losses on hedges				
Balance at beginning of year	**¥(1,548)**	¥79	¥370	**$(18,996)**
Net changes of items	**2,834**	(1,628)	(290)	**34,777**
Balance at end of year	**¥1,285**	¥(1,548)	¥79	**$15,768**
Land revaluation difference (Note 32)				
Balance at beginning of year	**¥(4,713)**	¥(4,713)	¥(4,713)	**$(57,835)**
Balance at end of year	**¥(4,713)**	¥(4,713)	¥(4,713)	**$(57,835)**
Foreign currency translation adjustments				
Balance at beginning of year	**¥(34,375)**	¥(88,756)	¥7,683	**$(421,830)**
Net changes of items	**(8,966)**	54,380	(96,439)	**(110,025)**
Balance at end of year	**¥(43,341)**	¥(34,375)	¥(88,756)	**$(531,856)**
Total valuation and translation adjustments				
Balance at beginning of year	**¥(22,357)**	¥(55,959)	¥128,083	**$(274,352)**
Change of items during the period				
Net changes of items other than stockholders' equity	**(17,158)**	33,602	(184,043)	**(210,553)**
Total	**(17,158)**	33,602	(184,043)	**(210,553)**
Balance at end of year	**¥(39,516)**	¥(22,357)	¥(55,959)	**$(484,918)**
Subscription rights to shares				
Balance at beginning of year	**¥196**	¥162	¥-	**$2,405**
Net changes of items	**11**	33	162	**134**
Balance at end of year	**¥207**	¥196	¥162	**$2,540**
Minority interests				
Balance at beginning of year	**¥217,350**	¥222,023	¥44,744	**$2,667,198**
Net changes of items	**(20,997)**	(4,672)	177,279	**(257,663)**
Balance at end of year	**¥196,352**	¥217,350	¥222,023	**$2,409,522**
Total Net Assets				
Balance at beginning of year	**¥1,198,869**	¥1,149,998	¥1,099,555	**$14,711,854**
Change due to adoption of ASBJ Practical Issues Task Force (PITF) No.18 (Note 2)	**-**	(6,355)	-	**-**
Changes of items during the period				
Issuance of new shares	**10,543**	-	-	**129,377**
Dividends from surplus (Note 25)	**(22,878)**	(21,949)	(22,432)	**(280,746)**
Net income	**11,394**	49,172	80,182	**139,820**
Change in scope of consolidation	**-**	(411)	-	**-**
Increase due to merger	**-**	55	-	**-**
Prior year adjustments for deferred taxes etc. of foreign affiliates	**-**	778	-	**-**
Purchase of treasury stock	**(881)**	(1,625)	(1,372)	**(10,811)**
Disposal of treasury stock	**156**	243	667	**1,914**
Retirement of treasury stock	**-**	-	-	**-**
Changes due to share exchange	**(23)**	-	-	**(282)**
Transfer to capital surplus from retiained earnings	**-**	-	-	**-**
Net changes of items other than stockholders' equity	**(38,145)**	28,963	(6,602)	**(468,094)**
Total	**(39,833)**	55,227	50,442	**(488,808)**
Balance at end of year	**¥1,159,036**	¥1,198,869	¥1,149,998	**$14,223,045**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**
Cash flows from operating activities				
Income before income taxes and minority interests	**¥80,327**	¥92,613	¥165,735	**$985,728**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**105,259**	105,874	95,948	**1,291,679**
Loss on impairment	**42,885**	38,843	3,564	**526,260**
Amortization of goodwill	**34,728**	21,627	22,376	**426,162**
Gain on negative goodwill	**(7,564)**	-	-	**(92,821)**
Increase (decrease) in employees' pension and retirement benefits	**(17,684)**	2,796	134	**(217,008)**
Interest and dividend income	**(4,840)**	(8,147)	(8,966)	**(59,393)**
Equity in losses (earnings) of affiliates	**(9,479)**	(8,902)	(11,833)	**(116,321)**
Interest expense	**22,047**	19,617	25,385	**270,548**
Foreign currency translation loss (gain)	**2,178**	(18,339)	35,957	**26,727**
Gain on sale of fixed assets	**(7,950)**	(8,054)	(11,016)	**(97,557)**
Gain on sale of marketable securities and investment securities	**(14,716)**	(34,631)	(2,313)	**(180,586)**
Gain (loss) on changes in equity	**-**	-	(72,654)	**-**
Compensation for expropriation	**-**	-	(9,591)	**-**
Loss on disposal and sale of fixed assets	**8,348**	8,004	5,643	**102,442**
Loss on sale of shares of subsidiaries and affiliates	**6,630**	21,661	-	**81,359**
Loss on devaluation of investment securities	**1,612**	8,363	5,878	**19,781**
Decrease (increase) in notes and accounts receivable, trade	**4,618**	32,096	17,120	**56,669**
Decrease (increase) in inventories	**4,915**	22,120	(11,755)	**60,314**
Increase (decrease) in notes and accounts payable, trade	**4,299**	(25,577)	986	**52,754**
Increase (decrease) in liquor taxes payable	**(7,018)**	(4,706)	(3,735)	**(86,120)**
Increase (decrease) in consumption taxes payable	**(3,092)**	(6,140)	(1,136)	**(37,943)**
Increase (decrease) in deposits received	**(11,878)**	(4,032)	935	**(145,760)**
Other	**25,572**	414	(24,192)	**313,805**
Sub-total	**259,197**	255,502	222,471	**3,180,721**
Interest and dividend received	**14,308**	23,465	13,068	**175,579**
Interest paid	**(22,008)**	(20,153)	(23,308)	**(270,069)**
Income taxes paid	**(33,471)**	(68,906)	(80,948)	**(410,737)**
Net cash provided by operating activities	**218,025**	189,907	131,281	**2,675,481**
Cash flows from investing activities				
Payment for purchases of property, plant and equipment and intangible assets	**(106,650)**	(110,246)	(126,063)	**(1,308,749)**
Proceeds from sale of property, plant and equipment and intangible assets	**23,757**	31,705	26,506	**291,532**
Payment for purchases of marketable securities and investment securities	**(86,973)**	(137,318)	(2,144)	**(1,067,284)**
Proceeds from sale and redemption of marketable securities and investment securities	**33,174**	152,365	7,150	**407,092**
Payment for purchases of shares of subsidiaries	**(6,659)**	(263,034)	(1,663)	**(81,715)**
Payment for acquisition of shares of newly consolidated subsidiaries (Note 26)	**-**	-	(73,407)	**-**
Proceeds from acquisition of shares of newly consolidated subsidiaries	**-**	-	1,880	**-**
Proceeds from sale of shares of subsidiaries with consolidation/de-consolidation	**726**	6,061	-	**8,909**
Other	**1,706**	(1,187)	(1,590)	**20,935**
Net cash used in investing activities	**(140,917)**	(321,654)	(169,330)	**(1,729,255)**

Cash flows from financing activities				
Increase (decrease) in short-term loans payable	**¥(40,769)**	¥82,675	¥(232,766)	**$(500,294)**
Increase (decrease) in commercial paper	**10,999**	-	-	**134,973**
Proceeds from long-term debt	**58,281**	147,059	199,969	**715,192**
Repayment of long-term debt	**(131,017)**	(56,684)	(94,699)	**(1,607,767)**
Proceeds from issuance of bonds	**-**	100,000	199,934	**-**
Payment for redemption of bonds	**(16,071)**	(44,273)	(5,888)	**(197,214)**
Payment to minority shareholders for capital reduction of consolidated subsidiaries	**(2,058)**	-	-	**(25,254)**
Proceeds from the settlements for the derivatives	**12,585**	-	-	**154,436**
Payment for purchase of treasury stock	**(881)**	(1,625)	(1,372)	**(10,811)**
Proceeds from sale of treasury stock	**156**	243	667	**1,914**
Payment for purchase of treasury stock by the consolidated subsidiary	**-**	(4,747)	(976)	**-**
Cash dividends paid	**(22,878)**	(21,949)	(22,432)	**(280,746)**
Cash dividends paid to minority shareholders	**(5,183)**	(26,645)	(19,104)	**(63,602)**
Other	**(3,360)**	155	3,354	**(41,232)**
Net cash provided by (used in) financing activities	**(140,197)**	174,208	26,684	**(1,720,419)**
Effect of exchange rate fluctuation on cash and cash equivalents	**(10,412)**	9,091	(16,226)	**(127,770)**
Net increase (decrease) in cash and cash equivalents	**(73,501)**	51,553	(27,590)	**(901,963)**
Cash and cash equivalents at beginning of year	**118,797**	68,457	52,307	**1,457,810**
Net increase (decrease) in cash and cash equivalents from new consolidation/de-consolidation of subsidiaries	**(17)**	(1,505)	43,740	**(208)**
Net increase (decrease) in cash and cash equivalents from merger of consolidated subsidiaries	**-**	292	-	**-**
Cash and cash equivalents at end of year (Note 26)	**¥45,278**	¥118,797	¥68,457	**$555,626**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Kirin Holdings Company, Limited and Consolidated Subsidiaries

December 31, 2010, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on December 31, 2010, which was ¥81.49 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(1) CONSOLIDATION

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

	Number of companies at year-end		
	2010	2009	2008
Consolidated subsidiaries	**259**	285	371

Changes in the scope of consolidation are as follows:

(a) Due to new establishment, Shinshu Beverage Co., Ltd., Kirin Holdings Singapore Pte.Ltd., 2 subsidiaries of Kyowa Hakko Kirin Co., Ltd., 1 subsidiary of Mercian Corporation, and 1 other subsidiary became consolidated subsidiaries.

(b) Due to new acquisition, 1 subsidiary of Lion Nathan National Foods Pty Ltd. became a consolidated subsidiary.

(c) Due to sale of shares, 1 subsidiary of Lion Nathan National Foods Pty Ltd., 1 subsidiary of Mercian Corporation, NAGANO TOMATO Co., Ltd., Kirin Agribio Co. Ltd., Japan Potato Co., Ltd., Kirin Agribio Shanghai Co., Ltd., Kirin Agribio EC B.V. and 22 subsidiaries of Kirin Agribio EC B.V. were excluded from the consolidation scope.

(d) Due to liquidation, 1 subsidiary of Mercian Corporation and Kirin Holdings Netherlands B.V. were excluded from the consolidation scope.

(e) Due to merger, 1 subsidiary of Lion Nathan National Foods Pty Ltd. and 1 subsidiary of Kirin Kyowa Foods Co., Ltd. were excluded from the consolidation scope.

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

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

	2010	
Consolidated subsidiaries	**Fiscal year-end**	
Lion Nathan National Foods Pty Ltd. and its subsidiaries	**September 30**	**(i)&(ii)**

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

(i) The Company used the financial statements of the companies as of their fiscal year-ends and for the years then ended for consolidation.

(ii) For the purpose of the further promotion of the Company's integrated beverages group strategy in Oceania, the Company made Lion Nathan Ltd. ("LN") a wholly-owned subsidiary in October 2009. At the same time, in order that Lion Nathan National Foods Pty Ltd ("LNNF") manages all Oceania operations on a unified basis, National Foods Limited ("NFL"), LN and their subsidiaries were made the subsidiaries of LNNF. And the Company has integrated the fiscal year-ends of LNNF, NFL and its subsidiaries ("the companies") from December 31 to September 30 from this fiscal year.
To prepare the consolidated financial statements, financial statements of the companies as of September 30, 2010 are used because the difference between the Company's and the companies' year-ends does not exceed three months. However, their profit or loss for the period from October 1, 2009 to December 31, 2009 is not included in the Company's consolidated statement of income for the year ended December 31, 2010 because their profit or loss for the period has been included in the Company's consolidated statement of income for the fiscal year ended December 31, 2009.

(iii) Lion Nathan Ltd. was acquired on October 1, 2009 (the deemed acquisition date) and became a wholly-owned subsidiary. The Company records goodwill incurred from additional acquisition in the consolidated balance sheet of the fiscal year. The beginning for amortization of goodwill corresponds to the inception of consolidation of Lion Nathan Ltd. in the following fiscal year.

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

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

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

(2) EQUITY METHOD

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

	Number of companies at year-end		
	2010	2009	2008
Unconsolidated subsidiaries and affiliates accounted for by the equity method	**22**	25	27

Changes in the scope of application of the equity method are as follows:

(a) In 2010, due to sale of shares, Verde Co., Ltd., Qingdao International Seeds Co., Ltd. and 1 subsidiary of Kirin Agribio EC B.V. were excluded from the scope of application of the equity method.

(b) In 2009, due to new acquisition , San Miguel Brewery Inc. became an affiliate accounted for by the equity method.

(c) In 2009, due to new establishment, Diageo Kirin Company, Limited and 1 affiliate of Lion Nathan National Foods Pty Ltd became affiliates accounted for by the equity method.

(d) In 2009, due to sales of shares, San Miguel Corporation and 2 affiliates of Lion Nathan National Foods Pty Ltd were excluded from the scope of application of the equity method.

(e) In 2009, due to additional acquisition of shares, 1 affiliate of Kirin Beverage Co., Ltd. and 1 affiliate of Kirin Kyowa Foods Company, Limited became consolidated subsidiaries and were excluded from the scope of application of the equity method.

In 2010 and 2009, certain investments in unconsolidated subsidiaries including Koiwai Shokuhin Corporation and affiliates including Diamond Sports Club Co., Ltd. were not accounted for by the equity method and were stated at cost because the effect of their net income or losses and retained earnings on the accompanying consolidated financial statements are immaterial.

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

In 2010, the Company recognized San Miguel Brewery Inc. (the fiscal year ended December 31) in equity of earnings of its financial statements based on the financial statements for 12 months from the fourth quarter of the previous fiscal year to the third quarter of this fiscal year for the year ended December 31, 2010, since it is difficult for the Company to prepare its consolidated financial statements based on the final year-end figures of San Miguel Brewery Inc. due to the early disclosure of the consolidated business performance.

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

(3) FOREIGN CURRENCY TRANSLATION INTO JAPANESE YEN

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

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

(4) CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with negligible risk of changes in value and maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(5) MARKETABLE AND INVESTMENT SECURITIES

According to the accounting standard, the Company and 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 have any security defined as (a) above for the years ended December 31, 2010 and 2009.

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

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

(6) INVENTORIES

Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the periodic average method. (The cost method with book value written down to the net realizable value). Raw materials, containers and supplies are mainly stated at cost determined by the moving-average method (The cost method with book value written down to the net realizable value). Cost on uncompleted construction contracts is stated at cost determined by the specific identification method.
Effective from the year ended December 31, 2009, the Company adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, July 5, 2006). As a result, operating income, ordinary income and income before income taxes and minority interests decreased by ¥1,715 million, ¥208 million and ¥1,150 million, respectively. The effect of this change on segment information is explained in Note 21 "SEGMENT INFORMATION".

(7) ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

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

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

(Additional Information)
Due to the revision of the Corporation Tax Law, for property, plant and equipment acquired on or before to March 31, 2007, and whose book values have been reduced to 5% of the acquisition price by a depreciation method based on the pre-revision Corporation Tax Law, the difference between the equivalent of 5% of acquisition price and memorandum price is depreciated in equal amounts over the five-year period beginning with the year following the year when the book value reached 5%. However, the Company and certain consolidated subsidiaries adopt this method for property, plants and equipment acquired on or before June 30, 2007.
In line with a revision of the Corporation Tax Law in 2008, from the year ended December 31, 2009, the Company and its consolidated subsidiaries in Japan have changed their estimates for the useful lives of part of machinery. As a result, operating income decreased by ¥5,304 million, and ordinary income and income before income taxes and minority interests each decreased by ¥5,301 million for the current fiscal year. The effect of this change on segment information is explained in Note 21 “SEGMENT INFORMATION”.

(9) INTANGIBLE ASSETS (excluding lease assets)

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

(10) ALLOWANCE FOR EMPLOYEES’ BONUSES

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

(11) ALLOWANCE FOR BONUSES FOR DIRECTORS AND CORPORATE AUDITORS

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

(12) RESERVE FOR LOSS ON LIQUIDATION OF BUSINESS

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

(13) RESERVE FOR REPAIR AND MAINTENANCE

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

(14) EMPLOYEES’ PENSION AND RETIREMENT BENEFITS

The Company and its consolidated subsidiaries provide allowance for employees’ pension and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Prior service cost is amortized by the straight-line method over mainly 5 to 15 years for the year ended December 31, 2010 and 2009. Actuarial differences are amortized by the straight-line method over the average estimated service period, which is mainly 10 to 15 years for the year ended December 31, 2010 and 2009, beginning from the following fiscal year.

(Changes in accounting policies)
Effective from the year ended December 31, 2010, the Company has applied the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19 July 31, 2008). As a result, there was no effect on operating income, ordinary income and income before income taxes and minority interests. There is also no effect on unamortized actuarial differences caused by application of the Accounting Standards.

(15) RETIREMENT BENEFITS FOR DIRECTORS AND CORPORATE AUDITORS

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

(16) RESERVE FOR REPAIR AND MAINTENANCE OF VENDING MACHINES

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

(17) RESERVE FOR LOSS ON REPURCHASE OF LAND

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

(18) RESERVE FOR ENVIRONMENTAL MEASURES

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

(Additional information)

Since the estimated amount of payment for environmental measures became significant, the Company recorded reserve for environmental measures in the amount of ¥1,172 million effective from the year ended December 31, 2010. Accordingly, the corresponding expense amount was recorded in "Other" of special expenses. This resulted in a decrease in income before income taxes and minority interests for the same amount.

(19) 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 ¥55,660 million ($683,028 thousand), ¥58,534 million, and ¥54,004 million, respectively, in 2010, 2009 and 2008.

(20) LIQUOR TAXES

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

(21) INCOME TAXES

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

(22) CONSUMPTION TAXES

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

(23) BONUSES TO DIRECTORS AND CORPORATE AUDITORS

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

(24) LEASES

Effective from the year ended December 31, 2009, the Company has applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 of June 17, 1993 (First Committee of the Business Accounting Council); revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 of January 18, 1994 (Japanese Institute of Certified Public Accountants, Committee on Accounting Systems); revised on March 30, 2007), and accordingly such transactions are now based on capital lease method. Depreciation is calculated by the straight-line method over the lease terms without residual value. For finance lease transactions other than those involving a transfer of title that began prior to the application of the new accounting standards, the previous operating lease method will continue to be applied.

(25) DERIVATIVE AND HEDGE ACCOUNTING

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

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

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

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

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

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

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, etc.	Receivables and payables in foreign currency, future transactions in foreign currency
Interest rate swap contracts, etc.	Interests on loans receivable and loans payable
Commodity swap contracts, etc.	Commodity prices

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

The Company and 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.

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

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

(27) RECLASSIFICATION AND RESTATEMENT

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

(28) CONSTRUCTION CONTRACT

Revenues for contract works were previously accounted for mainly by the completed-contract method. Effective from the year ended December 31, 2010, the Company has applied the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15 of December 27, 2007) and the

"Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18 of December 27, 2007). For the construction contracts started during the fiscal year ended December 31, 2010, the percentage-of-completion method (the cost proportion method is used to estimate the percentage of completion) is applied to the contracts if the outcome of construction activity is deemed to be definite during the course of the activity by the end of the fiscal year ended December 31, 2010, while the completed-contract method is applied otherwise.
The effect on net income of this change is immaterial.

(29) NEW ACCOUNTING STANDARD

Effective from the year ended December 31, 2010, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 of December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 of December 26, 2008) and the"Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008).
In addition, effective from the year ended December 31, 2010, the Company has applied the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No.20 of November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 of November 28, 2008). Since the aggregate value of the Company's investment and rental property is immaterial, the Company omitted the disclosure for the year ended December 31, 2010.

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

Short-term loans payable outstanding at December 31, 2010 and 2009 consisted of the following:

	December 31,		December 31,
	2010	2009	**2010**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Unsecured	**¥133,814**	¥175,742	**$1,642,091**
Secured	**100**	100	**1,227**
Total short-term loans payable	**¥133,914**	¥175,842	**$1,643,318**

Average annual interest rates on outstanding short-term loans payable for the years ended December 31, 2010 and 2009 were 1.10% and 0.73%, respectively.

Long-term debt and bonds at December 31, 2010 and 2009 consisted of the following:

	December 31,		December 31,
	2010	2009	**2010**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Loans principally from banks and insurance companies, maturing serially from 2012 to 2019 with average annual interest rates of 3.37% for current portion and 2.34% for non-current portion	**¥310,592**	¥384,173	**$3,811,412**
0.553% coupon debentures in yen, due in 2012	**20,000**	20,000	**245,428**
1.09% coupon debentures in yen, due in 2013	**79,989**	79,984	**981,580**
0.856% coupon debentures in yen, due in 2014	**30,000**	30,000	**368,143**
1.27% coupon debentures in yen, due in 2015	**29,992**	29,991	**368,045**
1.69% coupon debentures in yen, due in 2018	**69,989**	69,988	**858,866**
1.639% coupon debentures in yen, due in 2019	**50,000**	50,000	**613,572**
1.86% coupon debentures in yen, due in 2020	**19,987**	19,986	**245,269**
8.65% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2011-2012	**6,723**	10,730	**82,500**
4.53% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2015	**16,748**	17,800	**205,522**
3.76% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2010	**-**	8,944	**-**
Others	**-**	-	**-**
Less current maturities	**(51,233)**	(96,104)	**(628,702)**
Total long-term debt and bonds	**¥582,790**	¥625,494	**$7,151,675**

The above balances of loans include secured loans of ¥ 82 million ($1,006 thousand) and ¥8,499 million for 2010 and 2009, respectively.

Other interest-bearing debt an December 31, 2010 and 2009 consisted of the following:

	December 31, 2010	December 31, 2009	December 31, 2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Finance lease obligation – current (at an average interest rate of 3.77% in 2010 and 5.01% in 2009, respectively)	**¥1,232**	¥558	**¥15,118**
Finance lease obligation – non-current (at an average interest rate of 3.89% in 2010 and 5.74% in 2009, respectively, maturing serially between 2013-2028)	**5,541**	4,601	**67,996**
Commercial papers (at an average interest rate of 0.12% in 2010)	**10,999**	-	**134,973**
Deposits received from customers (at an average interest rate of 1.27% in 2010 and 1.32% in 2009, respectively)	**¥73,663**	$60,607	**$903,951**

Deposits received on the accompanying consolidated balance sheets include non-interest-bearing deposits.
The above balance of deposits received includes a secured portion of ¥3,430 million ($42,091 thousand) and ¥3,408 million for 2010 and 2009, respectively.

The aggregate annual maturities of long-term debt, bonds and finance lease obligation at December 31, 2010 were as follows:

Year ending December 31,	Amount	
	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
2011	**¥52,466**	**$643,833**
2012	**77,853**	**955,368**
2013	**84,215**	**1,033,439**
2014 and thereafter	**426,263**	**5,230,862**
Total	**¥640,799**	**$7,863,529**

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, 2010 and 2009, assets pledged as collateral for the above secured liabilities were as follows:

	December 31, 2010	December 31, 2009	December 31, 2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Cash	**¥9**	¥14	**$110**
Notes and accounts receivable, trade	**29**	35	**355**
Property, plant and equipment	**2,375**	2,658	**29,144**
Other	**1,152**	1,105	**14,136**
Total	**¥3,566**	¥3,814	**$43,759**

In addition to the above, deposits received relating to construction were recognized at the discounted present value of ¥10,174 million ($124,849 thousand), and ¥9,974 million for the year ended December 31, 2010 and 2009, respectively, in accordance with the accounting standard for financial instruments.

4. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2010	December 31, 2009	December 31, 2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Buildings and structures	**¥602,882**	¥631,286	**$7,398,232**
Machinery, equipment and vehicles	**860,746**	948,436	**10,562,596**
Land	**225,246**	227,671	**2,764,093**
Construction in progress	**61,103**	75,235	**749,822**
Other	**179,917**	188,286	**2,207,841**
Total	**1,929,896**	2,070,917	**23,682,611**
Accumulated depreciation	**(1,190,661)**	(1,296,643)	**(14,611,130)**

Net of property, plant and equipment	**¥739,235**	¥774,274	**$9,071,481**

5. CONTINGENT LIABILITIES

For the years ended December 31, 2010 and 2009, 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 ¥7,820 million ($95,962 thousand) and ¥8,481 million, respectively.
The Company and its consolidated subsidiaries were also contingently liable for notes and accounts receivables transferred through securitization for the amount of ¥1,135 million ($13,928 thousand) and ¥1,515 million for the years ended December 31, 2010 and 2009, respectively.
The Company and its consolidated subsidiaries were also contingently liable for notes receivable discounted for the amount of ¥30 million ($368 thousand) and ¥39 million for the years ended December 31, 2010 and 2009, respectively.

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended December 31, 2010, 2009 and 2008 were as follows:

	Year ended December 31,			Year ended December 31,
	2010	2009	2008	**2010**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Sales promotion	**¥157,040**	¥192,714	¥201,273	**$1,927,107**
Freight	**70,857**	80,010	79,901	**869,517**
Advertising	**64,307**	68,231	72,069	**789,139**
Employees’ pension and retirement benefit expenses	**14,941**	15,912	12,113	**183,347**
Salaries and wages of employees	**133,033**	141,921	139,550	**1,632,507**
Research and development expenses	**55,468**	57,843	53,440	**680,672**
Depreciation	**¥31,274**	¥30,900	¥32,426	**$383,777**

7. LOSS ON IMPAIRMENT

In 2010, the Company and its consolidated subsidiaries classified fixed assets into groups by the respective type of business (Alcohol Beverages, Soft Drinks and Foods, Pharmaceuticals, and Other), which are the units making investment decisions.

Use	Location	Type of assets
Others (Soft Drinks and Foods business)	Australia	Goodwill, intangible assets and other
Asset used for business (Alcohol Beverages business)	Yatsushiro-shi, Kumamoto and 2 others	Buildings and structures, machinery, equipment and vehicles and other
Asset used for business and asset for rent (Soft Drinks and Foods business)	Sayama-shi, Saitama	Buildings and structures and land
Asset for rent	Osaka-shi, Osaka	Buildings and structures, machinery, equipment and vehicles, land and other
Idle properties	Takaoka-shi, Toyama and 9 others	Buildings and structures, machinery, equipment and vehicles, land and other

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

Carrying amounts of certain assets were devalued to their memorandum value or recoverable amount because (i) The Company revalued goodwill, intangible assets and others recorded at Soft Drink and Food business at subsidiaries in Australia in accordance with International Accounting Standards in Australia by reflecting recent increase in material prices, changes in market environment and the volatility of brand value caused by such changes, (ii) Some of assets used for Alcohol Beverages business were not recovered by estimated future cash flows, (iii) Some of business assets and rental properties used for Soft Drinks and Foods business were revalued following the reorganization of refrigerated drinks manufacturing operations (iv) The fair market values of rental properties and idle properties substantially declined comparing to their carrying values.
As a result, the Company recognized a loss on impairment for such devaluation, recorded under special expenses, comprising ¥1,422 million ($17,449 thousand) for buildings and structures, ¥1,224 million ($15,020 thousand) for machinery, equipment and vehicles, ¥1,384 million ($16,983 thousand)

for land, ¥29 million ($355 thousand) for other property, plant and equipment, ¥13,938 million ($171,039 thousand) for goodwill, and ¥24,885 million ($305,374 thousand) for other intangible assets.

The recoverable amount of each group of assets is the higher of net selling price (fair value less cost to sell) or value in use calculated by discounting future cash flows at an interest rate of 5.0 %. Besides, a discount rate of 12.9% (post tax 9.0%) was used for the revaluation of goodwill and others recorded at Soft Drink and Food business in Australia.

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

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

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

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

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

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

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

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

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

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

8. FOREIGN CURRENCY TRANSLATION GAIN OR LOSS

For the year ended December 31, 2010, gain on currency swaps and forward foreign exchange contracts, amounting to ¥3,932 million ($48,251 thousand), that are carried to hedge the foreign exchange rates fluctuation risks for loans receivable in foreign currency is presented after offsetting foreign currency translation loss.
For the year ended December 31, 2009, loss on currency swaps and forward foreign exchange contracts, amounting to ¥16,597 million, that are carried to hedge the foreign exchange rates fluctuation risks for loans receivable in foreign currency is presented after offsetting foreign currency translation gain.

9. REVERSAL OF REMOVAL COSTS

In connection with reorganizing of factories at domestic consolidated subsidiaries, removal costs of assets were recorded for the year ended December 31, 2009. Since the actual removal cost was reduced, the Company reversed the difference of the removal costs in amounts for the year ended December 31, 2010.

10. LOSS ON REVISION OF RETIREMENT BENEFIT PLAN

For the year ended December 31, 2010, loss on revision of retirement plan was recognized mainly due to the partial abolishment of a part of the lump-sum severance payment plan in the Company and its consolidated subsidiaries.

11. LOSS ON PRIOR YEAR ADJUSTMENT

It was revealed that fraudulent actions, such as failure to record the cost of shipment of sample products intentionally, inappropriate accounting of manipulation of sales recording periods and others, and fictitious sales, fictitious manufacturing, and circular transactions combined of these transactions, had been carried out from prior years by the Fish Feedstuffs Division of Mercian Corporation, a consolidated subsidiary of the Company. It was also revealed that in order to conceal these fraudulent actions, falsification of tracking records in internal control and manipulating of stock quantities by imitations had been carried out.
Based on the results of an investigation conducted by an internal investigation committee of Mercian Corporation, it has revised the figures recorded for trade accounts receivable, inventories, sales and cost of sales. Due to this revision, the Company has recognized ¥5,300 million ($ 65,038 thousand) loss for prior years as a loss on prior periods adjustment in special expenses, and a income taxes for prior years-deferred amounted to ¥1,169 million ($14,345 thousand) as reversal of deferred tax assets in prior years. The losses incurred during the fiscal year ended December 31, 2010, have been recorded in the respective account items.

12. GAIN ON CHANGE IN EQUITY

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

13. COMPENSATION FOR EXPROPRIATION

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

14. BUSINESS RESTRUCTURING EXPENSE

For the year ended December 31, 2010, business restructuring expense comprised a expense for plants reorganization amount to ¥5,337 million ($65,492 thousand), at consolidated subsidiaries.
For the years ended December 31, 2009 and 2008, business restructuring expense comprised a premium on retirement benefits amounting to ¥1,363 million and ¥3,208 million, respectively, resulting from early retirement at consolidated subsidiaries.

15. EXPENSES FOR INTEGRATION

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

16. COMPENSATION FOR DAMAGES

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

17. LOSS ON LIQUIDATION OF BUSINESS

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

18. AMORTIZATION OF GOODWILL

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

19. LOSS OF EQUITY METHOD INVESTMENTS

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

20. INFORMATION ON SECURITIES

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

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

	December 31, 2010					
	Book value	Fair market value	Difference	Book value	Fair market value	Difference
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
1. Securities with fair market value exceeding book value						
Governmental/municipal bonds	**¥510**	**¥516**	**¥6**	**$6,258**	**$6,332**	**$73**
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	**510**	**516**	**6**	**6,258**	**6,332**	**73**
2. Securities with fair market value not exceeding book value						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Total	**¥510**	**¥516**	**¥6**	**$6,258**	**$6,332**	**$73**

	December 31, 2009		
	Book value	Fair market value	Difference
	(Millions of yen)		
1. Securities with fair market value exceeding book value			
Governmental/municipal bonds	¥630	¥640	¥10
Corporate bonds	-	-	-
Other	-	-	-
Sub-total	630	640	10
2. Securities with fair market value not exceeding book value			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Sub-total	-	-	-
Total	¥630	¥640	¥10

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

	December 31, 2010					
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
1. Securities with book value exceeding acquisition cost						
Equity securities	**¥89,100**	**¥50,208**	**¥38,892**	**$1,093,385**	**$616,124**	**$477,261**
Bonds						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	**348**	**346**	**2**	**4,270**	**4,245**	**24**
Other	-	-	-	-	-	-
Sub-total	**89,449**	**50,554**	**38,895**	**1,097,668**	**620,370**	**477,297**
2. Securities with book value not exceeding acquisition cost						
Equity securities	**136,272**	**162,210**	**(25,938)**	**1,672,254**	**1,990,550**	**(318,296)**
Bonds						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	**136,272**	**162,210**	**(25,938)**	**1,672,254**	**1,990,550**	**(318,296)**
Total	**¥225,721**	**¥212,764**	**¥12,956**	**$2,769,922**	**$2,610,921**	**$158,988**

	December 31, 2009		
	Acquisition cost	Book value	Difference
	(Millions of yen)		
1. Securities with book value exceeding acquisition cost			
Equity securities	¥75,675	¥129,777	¥54,102
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	23	25	1
Other	-	-	-
Sub-total	75,698	129,803	54,104
2. Securities with book value not exceeding acquisition cost			
Equity securities	69,509	49,358	(20,151)
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Sub-total	69,509	49,358	(20,151)
Total	¥145,208	¥179,161	¥33,952

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

	Year ended December 31,		Year ended December 31,
	2010	2009	**2010**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Amount sold	**¥32,962**	¥69,329	**$404,491**
Total gain on sale	**14,716**	33,286	**180,586**
Total loss on sale	**¥132**	¥1,180	**$1,619**

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

	Year ended December 31,		Year ended December 31,
	2010	2009	**2010**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Available-for-sale securities			
Unlisted equity securities	**¥24,502**	¥25,922	**$300,674**
Other	**33**	186	**404**
Total	**¥24,536**	¥26,109	**$301,092**

(e) Redemption schedule

For the year ended December 31, 2010, the redemption schedule of marketable securities with maturities is disclosed in Note 28.

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

	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	(Millions of yen)			
1. Bonds				
Governmental/ municipal bonds	¥120	¥510	-	-
Corporate bonds	-	-	-	-
Other	-	-	-	-
2. Other	-	-	-	-
Total	¥120	¥510	-	-

(f) Impairment loss on investment securities

Impairment losses of ¥1,612 million ($19,781 thousand), ¥8,363 million and ¥5,878 million were recognized in the consolidated statements of income as “Loss on devaluation of investment securities”, for available-for-sale securities for the years ended December 31, 2010, 2009 and 2008, respectively. Where the fair market value of available-for-sale securities has declined by more than 30% from their acquisition costs, the value of those securities is considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, unless the value is considered recoverable. For available-for-sale securities without fair market value, when the substantive value of those securities has declined by more than 50% from their acquisition costs, the value of those securities is considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, except for cases where the recoverability of the value of those securities in the future is supported by reasonable grounds.

21. SEGMENT INFORMATION

(a) Business segment information

	Year ended December 31, 2010						
	Alcohol Beverages	Soft Drinks and Foods	Pharma-ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	**¥1,097,976**	**¥638,122**	**¥210,157**	**¥231,547**	**¥2,177,802**	**¥ -**	**¥2,177,802**
Less liquor taxes	**341,484**	**-**	**-**	**1,043**	**342,527**	**-**	**342,527**
Net sales	**756,491**	**638,122**	**210,157**	**230,503**	**1,835,274**	**-**	**1,835,274**
Inter-segment	**35,271**	**6,186**	**208**	**36,417**	**78,083**	**(78,083)**	**-**
Total sales	**791,762**	**644,308**	**210,365**	**266,921**	**1,913,358**	**(78,083)**	**1,835,274**
Operating expenses	**677,701**	**633,202**	**171,420**	**258,222**	**1,740,546**	**(56,883)**	**1,683,662**
Operating income	**¥114,061**	**¥11,105**	**¥38,945**	**¥8,699**	**¥172,811**	**¥(21,199)**	**¥151,612**
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	**¥1,180,517**	**¥596,358**	**¥433,151**	**¥347,012**	**¥2,557,040**	**¥92,156**	**¥2,649,197**
Depreciation and amortization	**49,151**	**24,655**	**10,730**	**19,127**	**103,665**	**1,594**	**105,259**
Loss on impairment	**1,880**	**39,630**	**804**	**570**	**42,885**	**-**	**42,885**
Capital expenditures	**42,060**	**15,993**	**18,979**	**17,257**	**94,291**	**862**	**95,154**

	Year ended December 31, 2010						
	Alcohol Beverages	Soft Drinks and Foods	Pharma-ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Thousands of U.S. dollars) (Note 1)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	**$13,473,751**	**$7,830,678**	**$2,578,929**	**$2,841,416**	**$26,724,776**	**$ -**	**$26,724,776**
Less liquor taxes	**4,190,501**	**-**	**-**	**12,799**	**4,203,301**	**-**	**4,203,301**
Net sales	**9,283,237**	**7,830,678**	**2,578,929**	**2,828,604**	**22,521,462**	**-**	**22,521,462**
Inter-segment	**432,826**	**75,911**	**2,552**	**446,889**	**958,191**	**(958,191)**	**-**
Total sales	**9,716,063**	**7,906,589**	**2,581,482**	**3,275,506**	**23,479,666**	**(958,191)**	**22,521,462**
Operating expenses	**8,316,370**	**7,770,303**	**2,103,570**	**3,168,756**	**21,359,013**	**(698,036)**	**20,660,964**
Operating income	**$1,399,693**	**$136,274**	**$477,911**	**$106,749**	**$2,120,640**	**$(260,142)**	**$1,860,498**
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	**$14,486,648**	**$7,318,174**	**$5,315,388**	**$4,258,338**	**$31,378,574**	**$1,130,887**	**$32,509,473**
Depreciation and amortization	**603,153**	**302,552**	**131,672**	**234,715**	**1,272,119**	**19,560**	**1,291,679**
Loss on impairment	**23,070**	**486,317**	**9,866**	**6,994**	**526,260**	**-**	**526,260**
Capital expenditures	**516,136**	**196,257**	**232,899**	**211,768**	**1,157,086**	**10,577**	**1,167,677**

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

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

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

Year ended December 31, 2010	¥21,995 million ($269,910 thousand), mainly consisting of ¥19,160 million ($235,120 thousand) for group administrative expenses due to the Company's transfer to a pure holding company and ¥2,834 million ($34,777 thousand) for research and development of basic technologies.

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

Year ended December 31, 2010 ¥463,426 million ($5,686,906 thousand)

As described in Note 2. (1), the fiscal year-ends, December 31, of Lion Nathan National Foods Pty Ltd (“LNNF”), National Foods Limited (“NFL”) and its subsidiaries (“the companies”) were changed to September 30 from the year ended December 31, 2010.
To prepare the consolidated financial statements, financial statements of the companies as of September 30, 2010 were used because the difference between the Company’s and the companies’ year-ends does not exceed three months. However, their profit or loss for the period from October 1, 2009 to December 31, 2009 is not included in the Company’s consolidated statement of income for this fiscal year because their profit or loss for the period has been included in the Company’s consolidated statement of income for the fiscal year ended December 31, 2009.
For the three months ended December 31, 2009, sales and operating income of the companies included in the “Soft Drinks and Foods” segment were ¥72,421 million and ¥4,311 million, respectively.

(Changes in classification of business segment)
In 2010, LNNF has become a company managing all Oceania operations (NFL, LION NATHAN LTD. and their subsidiaries) including the “Alcohol Beverages” and “Soft Drinks and Foods” businesses on a unified basis. Consequently, the business segment to which LNNF belongs has changed from the “Soft Drinks and Foods” segment to the “Others” segment from the year ended December 31, 2010. As a result, operating income of the “Others” segment decreased by ¥4,815 million ($59,087 thousand) for the year ended December 31, 2010.

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

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

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

Year ended December 31, 2009

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

Others	Biochemical, chemical, floriculture, etc.
Year ended December 31, 2008	
Business segment	Main products
Alcohol beverages	Beer, sparkling malt liquor (*happo-shu*), new genre, whiskey, spirits, wine, engineering, logistics, etc.
Soft drinks and Foods	Soft drinks, foods, health foods, & functional foods, etc.
Pharmaceuticals	Pharmaceutical products
Others	Biochemical, chemical, floriculture, etc.

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

Year ended December 31, 2009 ¥19,441 million, mainly consisting of ¥16,380 million for group administrative expenses due to the Company’s transfer to a pure holding company and ¥3,060 million for research and development of basic technologies.

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

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

Year ended December 31, 2009 ¥484,893 million
Year ended December 31, 2008 ¥576,293 million

(Changes in classification of business segment)
In 2008, the Company acquired all outstanding shares in National Foods Limited, a dairy and beverage producer in Australia, at the end of the previous fiscal year, expanding business locations in the areas of food and health; seizing this opportunity to begin a new strategy to “develop health food and functional food business leveraging group synergies” as one of Kirin Group’s management policies for the fiscal year. Under this strategy the Company has defined the domain identity of the health food and functional food business as "all foods that customers consciously consume for health reasons" and make efforts to strengthen this business Group-wide between companies that handle food materials—including soft drinks, dairy products, functional foods, and seasonings businesses.
In accordance with this revision of the group’s management structure, from this fiscal year the businesses of food, health food and functional food etc., which had been included in the “Others” segment, have been reclassified into the “Soft Drinks” segment, as these businesses are managed as a package with the soft drinks business. And during this same time, the “Soft Drinks” segment was renamed “Soft Drinks and Foods.”

(Additional Information)

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

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

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

(b) Geographical segment information

	Year ended December 31, 2010					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	**¥1,724,529**	**¥393,297**	**¥59,975**	**¥2,177,802**	**¥-**	**¥2,177,802**
Less liquor taxes	**341,414**	**1,061**	**51**	**342,527**	**-**	**342,527**
Net sales	**1,383,114**	**392,235**	**59,924**	**1,835,274**	**-**	**1,835,274**
Inter-segment	**32,121**	**3,695**	**8,053**	**43,870**	**(43,870)**	**-**
Total sales	**1,415,236**	**395,931**	**67,978**	**1,879,145**	**(43,870)**	**1,835,274**
Operating expenses	**1,269,343**	**374,392**	**61,999**	**1,705,735**	**(22,072)**	**1,683,662**
Operating income	**145,892**	**21,539**	**5,978**	**173,410**	**(21,798)**	**151,612**
	¥1,562,732	**¥910,803**	**¥85,828**	**¥2,559,364**	**¥89,832**	**¥2,649,197**

2. Assets

	Year ended December 31, 2010					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Thousands of U.S. dollars) (Note 1)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	**$21,162,461**	**$4,826,322**	**$735,979**	**$26,724,776**	**$-**	**$26,724,776**
Less liquor taxes	**4,189,642**	**13,020**	**625**	**4,203,301**	**-**	**4,203,301**
Net sales	**16,972,806**	**4,813,289**	**735,354**	**22,521,462**	**-**	**22,521,462**
Inter-segment	**394,171**	**45,342**	**98,821**	**538,348**	**(538,348)**	**-**
Total sales	**17,366,989**	**4,858,645**	**834,188**	**23,059,823**	**(538,348)**	**22,521,462**
Operating expenses	**15,576,671**	**4,594,330**	**760,817**	**20,931,832**	**(270,855)**	**20,660,964**
Operating income	**$1,790,305**	**$264,314**	**$73,358**	**$2,127,991**	**$(267,492)**	**$1,860,498**
2. Assets	**$19,176,978**	**$11,176,868**	**$1,053,233**	**$31,407,092**	**$1,102,368**	**$32,509,473**

	Year ended December 31, 2009					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	¥1,759,670	¥443,835	¥74,967	¥2,278,473	¥-	¥2,278,473
Less liquor taxes	358,437	1,237	67	359,743	-	359,743
Net sales	1,401,233	442,597	74,900	1,918,730	-	1,918,730
Inter-segment	26,020	3,596	8,283	37,900	(37,900)	-
Total sales	1,427,253	446,193	83,183	1,956,631	(37,900)	1,918,730
Operating expenses	1,318,135	415,142	75,892	1,809,170	(18,874)	1,790,295
Operating income	¥109,118	¥31,051	¥7,291	¥147,461	¥(19,025)	¥128,435
2. Assets	¥1,613,391	¥998,601	¥155,536	¥2,767,529	¥93,665	¥2,861,194

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

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

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

* Europe is omitted in 2010

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

As described in Note 2. (1), the fiscal year-ends, December 31, of Lion Nathan National Foods Pty Ltd (“LNNF”), National Foods Limited (“NFL”) and its subsidiaries (“the companies”) were changed to September 30 from the year ended December 31, 2010.
To prepare the consolidated financial statements, financial statements of the companies as of September 30, 2010 were used because the difference between the Company’s and the companies’ year-ends does not exceed three months. However, their profit or loss for the period from October 1, 2009 to December 31, 2009 is not included in the Company’s consolidated statement of income for this fiscal year because their profit or loss for the period has been included in the Company’s consolidated statement of income for the fiscal year ended December 31, 2009.

For the three months ended December 31, 2009, sales and operating income of the companies included in the "Asia/Oceania" segment were ¥72,421 million and ¥4,311 million, respectively.

(Additional Information)

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

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

(c) Overseas sales

	Year ended December 31, 2010		
	Asia / Oceania	Others	Total
	(Millions of yen)		
Overseas sales, net of liquor taxes	**¥424,643**	**¥83,964**	**¥508,607**
Consolidated sales, net of liquor taxes	**-**	**-**	**1,835,274**
Percentage of overseas sales over consolidated sales	**23.1%**	**4.6%**	**27.7%**

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

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

	Year ended December 31, 2010		
	Asia / Oceania	Others	Total
	(Thousands of U.S. dollars) (Note 1)		
Overseas sales, net of liquor taxes	**$5,210,982**	**$1,030,359**	**$6,241,342**
Consolidated sales, net of liquor taxes			

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

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

* Europe is omitted in 2010

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

As described in Note 2. (1), the fiscal year-ends, December 31, of Lion Nathan National Foods Pty Ltd ("LNNF"), National Foods Limited ("NFL") and its subsidiaries ("the companies") were changed to September 30 from the year ended December 31, 2010.
To prepare the consolidated financial statements, financial statements of the companies as of September 30, 2010 were used because the difference between the Company's and the companies' year-ends does not exceed three months. However, their profit or loss for the period from October 1, 2009 to December 31, 2009 is not included in the Company's consolidated statement of income for this fiscal year because their profit or loss for the period has been included in the Company's consolidated statement of income for the fiscal year ended December 31, 2009.

For the three months ended December 31, 2009, sales of the companies included in the “Asia/Oceania” and “Others” segment were ¥72,210 million and ¥150 million, respectively.

22. LEASE TRANSACTIONS

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

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

	Year ended December 31,		Year ended December 31,
	2010	2009	**2010**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Machinery, equipment and vehicles:			
Purchase price equivalents	**¥1,173**	¥1,908	**$14,394**
Accumulated depreciation equivalents	**830**	1,205	**10,185**
Book value equivalents	**342**	702	**4,196**
Other property, plant and equipment (tools and equipment):			
Purchase price equivalents	**4,925**	5,795	**60,436**
Accumulated depreciation equivalents	**3,435**	3,179	**42,152**
Book value equivalents	**1,490**	2,615	**18,284**
Other intangible assets:			
Purchase price equivalents	**1,842**	1,890	**22,604**
Accumulated depreciation equivalents	**807**	516	**9,903**
Book value equivalents	**1,035**	1,374	**12,700**
Total			
Purchase price equivalents	**7,942**	9,593	**97,459**
Accumulated depreciation equivalents	**5,074**	4,900	**62,265**
Book value equivalents	**¥2,868**	¥4,692	**$35,194**

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

(2) Lease commitments

	Year ended December 31,		Year ended December 31,
	2010	2009	**2010**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Due within one year	**¥1,308**	¥1,741	**$16,051**
Due over one year	**1,735**	3,133	**21,290**
Total	**¥3,044**	¥4,875	**$37,354**

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

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

	Year ended December 31,			Year ended December 31,
	2010	2009	2008	**2010**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Lease expenses	**¥1,797**	¥2,182	¥2,301	**$22,051**
Depreciation equivalents	**1,528**	1,893	2,102	**18,750**
Interest expense equivalents	**¥100**	¥143	¥123	**$1,227**

(4) Calculation method of depreciation equivalents
Depreciation equivalents are calculated on the straight-line method over the lease terms without residual value.

(5) Allocation of interest expense equivalents

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

(b) Lessee lease - Operating lease

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

	December 31,		December 31,
	2010	2009	**2010**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
(As a lessee)			
Due within one year	**¥5,315**	¥5,131	**$65,222**
Due over one year	**22,887**	26,194	**280,856**
Total	**¥28,202**	¥31,325	**$346,079**
(As a lessor)			
Due within one year	**¥200**	¥223	**$2,454**
Due over one year	**2,903**	3,526	**35,624**
Total	**¥3,104**	¥3,749	**$38,090**

23. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates at December 31, 2010 and 2009* were as follows:

	Year ended December 31,		Year ended December 31,
	2010	2009	**2010**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Investment securities (Capital stock)	**¥178,146**	¥182,904	**$2,186,108**
Investments and other assets—other (Other than capital stock)	**¥2,449**	¥2,398	**$30,052**

*Figures for 2010 and 2009 include the cost of investment in jointly-controlled companies, amounting to ¥27,634 million ($339,109 thousand) and ¥29,934 million, respectively.

24. NET ASSETS

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

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

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

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

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

The consolidated statement of changes in net assets for the year ended December 31, 2010 is as follows:

1. Type and number of shares outstanding and treasury stock

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of December 31, 2009	984,508,387	31,167,235
Number of shares increased during the accounting period ended December 31, 2010	9,257,164	739,822
Number of shares decreased during the accounting period ended December 31, 2010	28,765,551	28,896,849
Number of shares as of December 31, 2010	965,000,000	3,010,208

Notes:

1. Increase in the number of shares was due to the issuance of new shares in connection with share exchange.
2. Decrease in the number of shares was due to retirement of treasury stock pursuant to Article 178 of the Corporate Law.
3. Increase in the number of treasury stock was due to the following reasons:
   - Purchases of partial share units: 727,308 shares
   - Acquisition of treasury stock by unconsolidated subsidiaries accounted for by equity method due to share exchange: 12,514 shares
4. Decrease in the number of treasury stock was due to the following reasons:
   - Retirement of treasury stock pursuant to Article 178 of the Corporate Law: 28,765,551 shares
   - Sales of partial share units: 131,298 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 December 31, 2009	-
Number of shares increased during the accounting period ended December 31, 2010	-
Number of shares decreased during the accounting period ended December 31, 2010	-
Number of shares as of December 31, 2010	-
Amount outstanding as of December 31, 2010	¥207 million ($2,540 thousands)

3. Matters related to dividends

(1) Dividend payment

Approvals by ordinary general meeting of shareholders held on March 26, 2010 were as follows:

Dividend on Common stock

a. Total amount of dividend	¥10,963 million ($134,531 thousand)
b. Dividend per share	¥11.50
c. Record date	December 31, 2009
d. Effective date	March 29, 2010

Approvals by the Board of Directors meeting on August 16, 2010 were as follows:

Dividend on Common stock

a. Total amount of dividend	¥11,915 million ($146,214 thousand)
b. Dividend per share	¥12.50
c. Record date	June 30, 2010
d. Effective date	September 6, 2010

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2010 but to be effective after the accounting period.
The Company received the approval at the general meeting of shareholders held on March 29, 2011 as follows:
Dividend on Common stock

a. Total amount of dividend	¥12,025 million ($147,564 thousand)
b. Funds for dividend	Retained earnings
c. Dividend per share	¥12.50
d. Record date	December 31, 2010
e. Effective date	March 30, 2011

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

1. Type and number of shares outstanding and treasury stock

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

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

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

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

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

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

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

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

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2009 but to be effective after the accounting period.

The Company received the approval at the general meeting of shareholders held on March 26, 2010 as follows:
Dividend on Common stock

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

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

1. Type and number of shares outstanding and treasury stock

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

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

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

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

3. Matters related to dividends

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

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

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

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

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2008 but to be effective after the accounting period.
The Company received the approval at the general meeting of shareholders held on March 26, 2009 as follows:
Dividend on Common stock

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

26. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash

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

	December 31,			December 31,
	2010	2009	2008	**2010**
		(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Cash	**¥51,463**	¥125,558	¥72,662	**$631,525**
Marketable securities	**530**	128	762	**6,503**
Fixed term deposits over 3 months	**(6,512)**	(6,672)	(4,204)	**(79,911)**
Equity securities and bonds, etc. with maturities exceeding 3 months	**(200)**	(128)	(762)	**(2,454)**
Short-term loans payable (bank overdraft)	**(3)**	(87)	-	**(36)**
Cash and cash equivalents	**¥45,278**	¥118,797	¥68,457	**$555,626**

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

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

	December 31,			December 31,
	2010	2009	2008	**2010**
		(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Current assets	**¥7,337**	¥2,796	¥-	**$90,035**
Fixed assets	**6,719**	5,927	-	**82,451**
Current liabilities	**(5,682)**	(1,095)	-	**(69,726)**
Long-term liabilities	**(1,137)**	(716)	-	**(13,952)**
Valuation difference on available-for-sale securities	**-**	(15)	-	**-**
Foreign currency translation adjustments	**693**	548	-	**8,504**
Minority interest	**(463)**	-	-	**(5,681)**
Net gain on sale of shares, etc.	**(6,216)**	346	-	**(76,279)**
Sales price of shares	**1,250**	7,791	-	**15,339**
Accounts receivable	**(398)**	-	-	**(4,884)**
Cash and cash equivalents of the company excluded from the scope of consolidation	**(126)**	(1,729)	-	**(1,546)**
Proceeds from sales of shares of subsidiaries excluded from the scope of consolidation	**¥726**	¥6,061	¥-	**$8,909**

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

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

	December 31,			December 31,
	2010	2009	2008	**2010**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Current assets	**¥-**	¥-	¥23,268	**$−**
Fixed assets	-	-	31,285	−
Goodwill	-	-	51,907	−
Current liabilities	-	-	(16,125)	−
Long-term liabilities	-	-	(15,978)	−
Minority interests	-	-	(46)	−
Acquisition cost of shares	-	-	74,311	−
Payment during the previous year	-	-	-	−
Accounts payable	-	-	(319)	-
Cash and cash equivalents of the acquired companies	-	-	(585)	-
Payment for acquisition of shares of newly consolidated subsidiaries	**¥-**	¥-	¥73,407	**$-**

(d) Significant Noncash Transaction

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

	December 31,			December 31,
	2010	2009	2008	**2010**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Current assets	**¥ -**	¥-	¥235,695	**$−**
Fixed assets	-	-	225,788	−
Goodwill	-	-	128,868	−
Total assets	-	-	590,352	−
Current liabilities	-	-	117,957	−
Long-term liabilities	-	-	53,964	−
Total liabilities	**¥-**	¥-	¥171,922	**$−**

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

27. DEFERRED INCOME TAXES

Significant components of deferred tax assets and liabilities as of December 31, 2010 and 2009 were as follows:

	December 31, 2010	December 31, 2009	December 31, 2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Deferred tax assets:			
Employees' pension and retirement benefits	**¥26,929**	¥34,891	**$330,457**
Depreciation	**21,347**	24,677	**261,958**
Loss carried forward	**11,779**	17,951	**144,545**
Loss on impairment of fixed assets	**-**	14,892	**-**
Deemed dividend	**9,243**	9,520	**113,424**
Long-term accrued expenses	**6,624**	-	**81,286**
Deferred charges	**5,593**	5,767	**68,634**
Other	**81,165**	76,253	**996,011**
Sub-total	**162,684**	183,953	**1,996,367**
Less valuation allowance	**(39,914)**	(45,504)	**(489,802)**
Total deferred tax assets	**122,769**	138,449	**1,506,552**
Deferred tax liabilities:			
Adjustment of book value based on fair value	**(24,808)**	(26,697)	**(304,429)**
Net unrealized holding gains on securities	**(7,284)**	(17,610)	**(89,385)**
Depreciation of foreign subsidiaries	**(6,502)**	(15,151)	**(79,788)**
Reserve for deferred gains on sale of property	**(12,842)**	(12,740)	**(157,589)**
Prepaid pension cost	**-**	(5,699)	**-**
Other	**(19,302)**	(10,346)	**(236,863)**
Total deferred tax liabilities	**(70,739)**	(88,247)	**(868,069)**
Net deferred tax assets	**52,029**	50,202	**638,470**
Deferred tax asset due to land revaluation:			
Deferred tax asset due to land revaluation	**617**	617	**7,571**
Less valuation allowance	**(617)**	(617)	**(7,571)**
Total deferred tax asset due to land revaluation	-	-	-
Deferred tax liability due to land revaluation:			
Deferred tax liability due to land revaluation	**(1,471)**	(1,471)	**(18,051)**
Net deferred tax liability due to land revaluation	**¥(1,471)**	¥(1,471)	**$(18,051)**

Deferred tax assets and liabilities were included in the consolidated balance sheets as of December 31, 2010 and 2009 as follows:

	December 31, 2010	December 31, 2009	December 31, 2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Current assets — Deferred tax assets	**¥27,598**	¥24,146	**$338,667**
Fixed assets — Deferred tax assets	**45,916**	59,096	**563,455**
Current liabilities — Other	**(16)**	(957)	**(196)**
Long-term liabilities — Deferred tax liabilities	**¥(22,940)**	¥(32,083)	**¥(281,506)**

The following table summarizes significant differences between the statutory tax rate and the effective tax rate for the years ended December 31, 2010 and 2009:

	2010	2009
	(%)	(%)
Statutory tax rate	**40.7**	40.7
(Adjustments)		
Permanent difference - expenses	**5.0**	4.0
Dividend received from foreign subsidiaries eliminated in consolidation	**-**	9.7
Amortization of intangible assets	**22.0**	13.3
Loss on impairment of intangible assets	**18.0**	-
Valuation allowance	**5.9**	(9.9)
Temporary difference in connection with investments in subsidiaries	**4.5**	-
Equity in earnings of affiliates	**(4.8)**	(3.9)
Elimination of interest expenses paid to consolidated subsidiaries	**(10.6)**	-
Difference in tax rate between the Company and its consolidated subsidiaries	**-**	(7.6)
Retained earning of foreign subsidiaries	**-**	(6.7)
Tax credit	**(5.6)**	(6.8)
Others	**(3.1)**	(1.6)
Effective tax rate	**72.0**	31.2

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

28. FINANCIAL INSTRUMENTS

Effective from the year ended December 31, 2010, the Company has applied the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 of March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 of March 10, 2008).

1. Matters related to 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 papers and corporate bonds. Temporary surplus funds are invested in highly safe financial assets such as time deposits. Derivatives are used, not for speculative purpose, but to avoid risks mentioned below.

(2) Types of financial instruments and related risk

Trade receivables such as trade notes and accounts receivable 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 trade notes and accounts payables have payment due dates within one year. Some of 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 papers is mainly to fund short-term working capital and the purpose of long-term debt and loans is mainly to fund necessary amount for investments and lending 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 and currency swaps 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, interest rate cap contracts and interest rate floor contracts for the purpose of hedging interest rate fluctuation risk deriving from interest payments on debt.

(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 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. Please refer to Note 2 (25) for hedging instruments and hedged items, hedging policy and method to evaluate hedging effectiveness.

(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 to hedge the risk for 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, interest rate cap contracts and interest rate floor contracts 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 evaluates 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 its obligations on scheduled due dates)
In order to manage liquidity risk, the Company and its consolidated subsidiaries timely prepare and update the 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 below 2. do not reflect the actual market risk exposure involved in derivative transactions.

2. Matters relates to fair values of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet as of December 31, 2010 and their fair values, as well as their differences. Please note that financial instruments whose fair values are deemed extremely difficult to assess are not included.

	Year ended December 31, 2010					
	Book value	Fair value	Difference	Book value	Fair value	Difference
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
ASSETS						
(1) Cash	**¥51,463**	**¥51,463**	**¥-**	$631,525	$631,525	$-
(2) Notes and accounts receivable, trade	**415,268**	**415,268**	-	5,095,938	5,095,938	-
(3) Marketable and investment securities						
a. Held-to-maturity debt securities	**510**	**516**	**6**	6,258	6,332	**73**
b. Equity securities issued by affiliates	**135,370**	**420,568**	**285,197**	1,661,185	5,160,976	**3,499,779**
c. Available-for-sale securities	**225,721**	**225,721**	-	2,769,922	2,769,922	-
TOTAL ASSETS	**828,334**	**1,113,537**	**285,203**	10,164,854	13,664,707	**3,499,852**
LIABILITIES						
(1) Notes and accounts payable, trade	**169,036**	**169,036**	-	2,074,315	2,074,315	-
(2) Short-term loans payable and long-term debt with current maturities	**181,786**	**181,786**	-	2,230,776	2,230,776	-
(3) Commercial papers	**10,999**	**10,999**	-	134,973	134,973	-
(4) Bonds due within one year	**3,361**	**3,487**	**125**	41,244	42,790	**1,533**
(5) Liquor taxes payable	**92,553**	**92,553**	-	1,135,758	1,135,758	-
(6) Income taxes payable	**26,544**	**26,544**	-	325,733	325,733	-
(7) Bonds	**320,070**	**331,545**	**11,474**	3,927,721	4,068,536	**140,802**
(8) Long-term debt	**262,720**	**266,240**	**3,519**	3,223,953	3,267,149	**43,183**
TOTAL LIABILITIES	**1,067,072**	**1,082,192**	**15,119**	13,094,514	13,280,058	**185,531**
Derivative transactions (*)	**¥ (11,017)**	**¥ (11,017)**	**¥-**	$ (135,194)	$ (135,194)	$-

(*) Derivatives are stated 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 (2) Notes and accounts receivable, trade

The fair value of these items approximates their book value because of their short-term nature. Thus, the book value is used as fair value.

(3) Marketable securities and investment securities

While the fair values of equity securities are measured by market prices at exchange, the fair values of bond securities are measured by the prices obtained from financial institutions, etc. Please refer to Note 20 for matters relating to securities by holding purpose.

Liabilities

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

The fair value of these items approximates their book value because of their short-term nature. Thus, the book value is used as fair value.

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

The fair value of bonds issued by the Company and certain consolidated subsidiaries are based on the market price, when market prices are readily available. The fair value of bonds without market price is measured as 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 loans payable is measured as present value, calculated by discounting the combined total of principal and interest by an assumed interest rate(*) for similar new borrowings.
(*) For long-term debt to which the certain hedging criteria of interest rate swaps is met, present value of the combined total of principal and interest discounted by using the rates of relevant interest rate swaps.

Derivative transactions

Please refer to Note 26 below.

2. Book values of financial instruments deemed extremely difficult to assess their fair value are as follows:

Classification	Year ended December 31, 2010	
	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
Investment securities		
a. Unlisted equity securities (Equity securities issued by affiliates, etc.)	**¥42,775**	**$524,911**
b. Unlisted equity securities (Other securities)	**24,502**	**300,674**
c. Other	**33**	**404**
Guarantee deposits received	**¥73,663**	**$903,951**

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

3. The redemption schedule for monetary receivables and marketable securities with maturities as of December 31, 2010 is as follows:

	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
Cash and time deposits	**¥51,463**	**¥ -**	**¥ -**	**¥ -**	**$631,525**	**$ -**	**$ -**	**$ -**
Notes and accounts receivable, trade	**415,268**	**-**	**-**	**-**	**5,095,938**	**-**	**-**	**-**
Marketable and investment securities								
Held-to-maturity debt securities			**-**	**-**				
Governmental/municipal bonds	**200**	**310**			**2,454**	**3,804**	**-**	**-**
TOTAL	**¥466,932**	**¥310**	**¥ -**	**¥ -**	**$5,729,930**	**$3,804**	**$ -**	**$ -**

4. Please refer to Note 3 for the aggregate annual maturities of long-term debt, bonds and finance lease obligation at December 31, 2010.

29. DERIVATIVE TRANSACTIONS

1. The notional amount and fair value of derivative transactions for which hedge accounting has not been applied for the year ended December 31, 2010 are summarized as follows:

Currency-related transactions

		Year ended December 31, 2010							
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
Non-market transactions	Foreign exchange forward contracts Sell								
	US dollar	**¥3,229**	**¥ -**	**¥60**	**¥60**	**$39,624**	**$ -**	**$736**	**$736**
	Euro	**2,155**	**-**	**58**	**58**	**26,444**	**-**	**711**	**711**
	Currency swap								
	Receive yen pay Australian dollar	**17,203**	**-**	**(1,301)**	**(1,301)**	**211,105**	**-**	**(15,965)**	**(15,965)**
	Receive yen pay US dollar	**3,006**	**-**	**74**	**74**	**36,887**	**-**	**908**	**908**
Total		**¥25,595**	**¥ -**	**¥(1,106)**	**¥(1,106)**	**$314,087**	**$ -**	**$(13,572)**	**$(13,572)**

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

Interest-rate related transactions

		Year ended December 31, 2010							
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
Non-market transactions	Interest rate swap								
	Receive fixed, pay floating	**¥931**	**¥931**	**¥32**	**¥32**	**$11,424**	**$11,424**	**$392**	**$392**
	Receive floating, pay fixed	**931**	**931**	**(39)**	**(39)**	**11,424**	**11,424**	**(478)**	**(478)**
Total		**¥1,862**	**¥1,862**	**¥(7)**	**¥(7)**	**$22,849**	**$22,849**	**$(85)**	**$(85)**

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

		Year ended December 31, 2010					
Type of transaction	Hedged item	Notional amount	Portion due after one year included herein	Fair value	Notional amount	Portion due after one year included herein	Fair value
			(Millions of yen)			(Thousands of U.S. dollars) (Note 1)	
Derivative transactions for which deferral hedge accounting has been applied							
Foreign exchange forward contracts	Future transactions in foreign currency						
Sell							
US dollar		**¥216**	**¥ -**	**¥26**	**$2,650**	**$ -**	**$319**
Euro		**28**	**-**	**0**	**343**	**-**	**0**
Australian dollar		**341**	**62**	**(9)**	**4,184**	**760**	**(110)**
GBP		**726**	**-**	**25**	**8,909**	**-**	**306**
Other		**630**	**-**	**39**	**7,731**	**-**	**478**
Buy							
US dollar		**8,397**	**2,022**	**(782)**	**103,043**	**24,812**	**(9,596)**
Euro		**2,724**	**185**	**(179)**	**33,427**	**2,270**	**(2,196)**
Other		**113**	**-**	**(3)**	**1,386**	**-**	**(36)**
Currency swap	Debt and bonds						
Receive US dollar, pay Australian dolla		**35,055**	**30,155**	**(9,196)**	**430,175**	**370,045**	**(112,848)**
Receive yen, pay Australian dollar		**27,851**	**27,851**	**3,053**	**341,771**	**341,771**	**37,464**
Derivative transactions for which appropriation treatment has been applied							
Foreign exchange forward contracts	Receivables and payables						
Sell							
US dollar		**1,007**	**-**	**Note 2**	**12,357**	**-**	**Note 2**
Euro		**78**	**-**	**Note 2**	**957**	**-**	**Note 2**
Buy							
Euro		**4**	**-**	**Note 2**	**49**	**-**	**Note 2**
TOTAL		**¥77,178**	**¥60,277**	**¥(7,026)**	**$947,085**	**$739,685**	**$(86,219)**

Note: 1. Fair value is based on the prices obtained from forward exchange market or financial institutions.

2. Foreign exchange forward contracts for which appropriation treatment has been applied are accounted for together with receivables and payables designated as a hedged item, therefore, their fair values are included in the fair value of receivables and payables.

Interest-rate related transactions

		Year ended December 31, 2010					
Type of transaction	Hedged item	Notional amount	Portion due after one year included herein	Fair value	Notional amount	Portion due after one year included herein	Fair value
		(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
Derivative transactions for which deferral hedge accounting has been applied							
Interest rate swap	Debt and bonds						
Receive floating, pay fixed		**¥81,840**	**¥75,966**	**¥(2,538)**	**$1,004,295**	**$932,212**	**$(31,144)**
Interest rate cap							
Buy		**6,208**	**-**	**1**	**76,181**	**-**	**12**
Interest rate floor							
Sell		**6,208**	**-**	**(475)**	**76,181**	**-**	**(5,828)**
Derivative transactions for which special treatment has been applied							
Interest rate swap	Long-term debt						
Receive floating, pay fixed		**106,405**	**95,803**	**Note 2**	**1,305,743**	**1,175,641**	**Note 2**
TOTAL		**¥200,663**	**¥171,770**	**¥(3,012)**	**$2,462,424**	**$2,107,865**	**$(36,961)**

Note: 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 a hedged item, therefore, their fair values are included in the fair value of long-term debt.

Commodity-related

		Year ended December 31, 2010					
Type of transaction	Hedged item	Notional amount	Portion due after one year included herein	Fair value	Notional amount	Portion due after one year included herein	Fair value
		(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
Derivative transactions for which deferral hedge accounting has been applied							
Commodity swap	Sugar, etc.						
Receive floating, pay fixed		**¥765**	**¥89**	**¥135**	**$9,387**	**$1,092**	**$1,656**
TOTAL		**¥765**	**¥89**	**¥135**	**$9,387**	**$1,092**	**$1,656**

Note:1. Fair value is based on the prices obtained from financial institutions.

The fair value of the derivative contracts utilized by the Company and its consolidated subsidiaries for the year ended December 31, 2009 was as follows:

		Year ended December 31, 2009			
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		(Millions of yen)			
Non-market transactions	Foreign exchange forward contracts				
	Sell				
	US dollar	**¥3,280**	**¥ -**	**¥3,345**	**¥(64)**
	Euro	**1,930**	**-**	**1,924**	**6**
	Australian dollar	**11,704**	**-**	**12,225**	**(521)**
	Yen	**54**	**-**	**54**	**0**
	Currency swap				
	Receive yen pay Australian dollar	**61,047**	**-**	**7,098**	**7,098**
	Receive yen pay US dollar	**3,991**	**-**	**(151)**	**(151)**
Total		**¥82,009**	**¥ -**	**¥24,497**	**¥ 6,367**

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

Interest-related transactions

		Year ended December 31, 2009			
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		(Millions of yen)			
Non-market transactions	Interest rate swap				
	Receive fixed, pay floating	¥968	¥968	¥39	¥39
	Receive floating, pay fixed	968	968	(52)	(52)
	Interest rate cap				
	Buy	1,579	-	0	0
	Interest rate floor				
	Sell	1,579	-	18	18
Total		¥5,095	¥1,936	¥5	¥5

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

Stock-related transactions

Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)
		Year ended December 31, 2009			
		(Millions of yen)			
Non-market transactions	Stock forward contracts				
	Buy	**¥15,726**	**¥ -**	**¥(514)**	**¥(514)**
Total		**¥15,726**	**¥ -**	**¥(514)**	**¥(514)**

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

30. EMPLOYEES' PENSION AND RETIREMENT BENEFITS

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

(a) Liabilities for employees' pension and retirement benefits

The liabilities for employees' pension and retirement benefits included in the liability section of the consolidated balance sheets as of December 31, 2010 and 2009 consisted of the following:

	December 31, 2010	December 31, 2009	December 31, 2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Projected benefit obligation	**¥(295,017)**	¥(318,392)	**$(3,620,284)**
Fair value of plan assets	**190,856**	192,180	**2,342,078**
Unfunded pension obligation	**(104,160)**	(126,211)	**(1,278,193)**
Unrecognized actuarial differences	**46,545**	56,268	**571,174**
Unrecognized prior service cost (deduction of obligation)	**(1,600)**	(3,284)	**(19,634)**
Net of employees' pension and retirement benefit obligation	**(59,215)**	(73,227)	**(726,653)**
Prepaid pension cost	**7,667**	12,051	**94,085**
Employees' pension and retirement benefits	**¥(66,882)**	¥(85,279)	**$(820,738)**

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

(b) Employees' pension and retirement benefits expenses

The employees' pension and retirement benefit expenses included in the consolidated statements of income for the years ended December 31, 2010, 2009 and 2008 consisted of the following:

	For the year ended December 31, 2010	2009	2008	Year ended December 31, 2010
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Service cost	**¥12,683**	¥12,169	¥10,428	**$155,638**
Interest cost	**7,366**	7,435	7,048	**90,391**
Expected return on plan assets	**(5,140)**	(4,729)	(5,329)	**(63,075)**
Amortization of actuarial differences	**6,932**	9,452	4,423	**85,065**
Amortization of prior service cost	**(323)**	(447)	(442)	**(3,963)**
Premium for defined contribution pension plan	**4,652**	1,234	2,515	**57,086**
Employees' pension and retirement benefit expenses	**26,170**	25,115	18,643	**321,143**
Loss on revision of retirement benefit plan	**7,226**	-	-	**88,673**
Total	**¥33,397**	¥25,115	¥18,643	**$409,829**

Employees' contribution to the defined benefit corporate pension plan and others is excluded for the years ended December 31, 2010, 2009 and 2008. Employees' pension and retirement benefit expenses of consolidated subsidiaries using the simplified method are included for the years ended December 31, 2010, 2009 and 2008.

In addition to the above employees' pension and retirement benefit expenses, premium on employees' retirement benefits was recognized as "Business restructuring expense" in special expenses, amounting to ¥3,502 million ($42,974 thousand), ¥ 1,363 million and ¥3,208 million for the years ended December 31, 2010, 2009 and 2008, respectively, and as "Loss on liquidation of business" in special expenses, amounting to ¥799 million for the year ended December 31, 2008.
For the year ended December 31, 2010, loss on revision of retirement plan was recognized mainly due to the partial abolishment of the lump-sum severance payment plan in the Company and its consolidated subsidiaries.

Assumptions used for the years ended December 31, 2010, 2009 and 2008 were set forth as follows:

	December 31,		
	2010	2009	2008
Discount rate	**Mainly 2.5%**	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	**Mainly 2.5%**	Mainly 2.5%	Mainly 2.5%
Amortization of unrecognized prior service cost	**Mainly 5-15 years**	Mainly 5-15 years	Mainly 5-15 years
Amortization of unrecognized actuarial differences	**Mainly 10-15 years**	Mainly 10-15 years	Mainly 10-15 years

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

31. STOCK OPTIONS

For the year ended December 31, 2010

1. The amount and account title related to the stock option plans for the year ended December 31, 2010
   Selling, general and administrative expenses ¥82 million ($1,006 thousand)

2. The stock options outstanding as of December 31, 2010 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 ($0.012)
2006 Stock Option	7 directors 11 managing officers	Common stock 111,000 shares	June 29, 2006	¥1 ($0.012)
2007 Stock Option	5 directors 13 managing officers	Common stock 92,000 shares	June 21, 2007	¥1 ($0.012)
2008 Stock Option	6 directors 14 managing officers	Common stock 91,000 shares	June 25, 2008	¥1 ($0.012)
2009 Stock Option	6 directors 8 managing officers	Common stock 93,000 shares	June 26, 2009	¥1 ($0.012)
2010 Stock Option	6 directors 11 managing officers	Common stock 85,000 shares	April 1, 2010	¥1 ($0.012)

Stock Option	Vesting condition	Applicable period of service	Exercisable period
2005 Stock Option	No provisions	No provisions	June 29, 2005 - June 28, 2025
2006 Stock Option	No provisions	No provisions	June 30, 2006 - June 28, 2026
2007 Stock Option	No provisions	No provisions	June 22, 2007 - June 20, 2027
2008 Stock Option	No provisions	No provisions	June 26, 2008 - June 24, 2028
2009 Stock Option	No provisions	No provisions	June 27, 2009 - June 25, 2029
2010 Stock Option	No provisions	No provisions	April 2, 2010 - March 24, 2030

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

Scale and movement of stock options
The following tables are based on the stock options which existed as of December 31, 2010. Number of stock options is expressed in number of shares to be issued upon exercise.

Number of Stock Options

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested						
December 31, 2009-Outstanding	-	-	-	-	-	-
Granted	-	-	-	-	-	**85,000**
Forfeited	-	-	-	-	-	-
Vested	-	-	-	-	-	**85,000**
December 31, 2010-Outstanding	-	-	-	-	-	-
Vested						
December 31, 2009-Outstanding	40,000	39,000	37,000	53,000	93,000	-
Vested	-	-	-	-	-	**85,000**
Exercised	8,000	7,000	14,000	22,000	27,000	-
Forfeited	-	-	-	-	-	-
December 31, 2010-Outstanding	32,000	32,000	23,000	31,000	66,000	**85,000**

3. The price information of stock options as of December 31, 2010

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option
Exercise price (yen)	1	1	1	1	1	**1**
Average market price of the stock at the time of exercise (yen)	957	957	957	957	957	-
Fair valuation price (date of grant) (yen)	-	705	1,140	1,038	1,014	**940**

4. Method of estimating the fair value of stock options

The fair value of the 2010 Stock Option is estimated using the Black-Scholes model. The following assumptions were used to determine the fair value.

Share price variability (Note 1)	10.2%
Projected remaining period (Note 2)	2 years
Projected dividend (Note 3)	¥20 per share
Risk-free interest rate (Note 4)	0.69%

(Notes) 1. Calculated based on share price results over two years (from March 2008 to Feburary 2010).
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 December 31, 2010.
4. The rate of return on government bonds over the projected remaining period.

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

For the year ended December 31, 2009

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

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

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

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

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

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

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

Number of Stock Options

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

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

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

4. Method of estimating the fair value of stock options

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

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

(Notes) 1. Calculated based on share price results over three years (from June 2006 to May 2009).
2. Calculated by subtracting the average years of service of present office holders from the average years of service of retirees over the past five years.
3. Kyowa Hakko Kirin's fiscal year ended December 31, 2009 is for 9 months period due to the change of fiscal year end. Thus, the projected dividend for December 31, 2009, in the amount of ¥15 per share, is annualized to obtain the above projected dividend.
4. The rate of return on government bonds over the projected remaining period.

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

32. REVALUATION OF LAND

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

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

	December 31,		December 31,
	2010	2009	**2010**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Difference between the fair value and carrying amount of the revalued land	**¥5,480**	¥5,035	**$67,247**

33. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2010

1. Transactions with related party
Disclosure is omitted since 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, 2010, SAN MIGUEL BREWERY INC. ("SAN MIGUEL"), whose fiscal year-end is December 31, is the major affiliate of the Company. Its summarized financial information is shown below. The balance sheet items are based on the position as of the third quarter ended of SAN MIGUEL, and the items belonging to the statement of income are based on the results of 12 months period from the previous third quarter to the current third quarter of SAN MIGUEL. These figures are included in the consolidated figures of the Company.

	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
Total Current Assets	**¥57,971**	**$711,387**
Total Fixed Assets	**103,592**	**1,271,223**
Total Deferred Assets	**10,835**	**132,961**
Total Current Liabilities	**19,765**	**242,545**
Total Long-term Liabilities	**99,748**	**1,224,052**
Total Net Assets	**52,885**	**648,975**
Sales	**123,284**	**1,512,872**
Income before income taxes and minority interests	**37,165**	**456,068**
Net income	**¥27,420**	**$336,483**

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

1. Transactions with related party
Transactions between the Company and related party
Unconsolidated subsidiary and affiliate etc. of the Company

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

(*1) The Company sold all shares of SAN MIGUEL CORPORATION on May 22, 2009. The above information is based on the deemed sale date of March 31, 2009.
(*2) The Company acquired all shares of SAN MIGUEL BREWERY INC. which was held by SAN MIGUEL CORPORATION. The purchase price was determined considering the value of the company.

2. Notes relating to the parent company and major affiliate
Summarized financial information of major affiliate
As of December 31, 2009, SAN MIGUEL BREWERY INC. ("SAN MIGUEL"), whose fiscal year-end is December 31, is the major affiliate of the Company. Its summarized financial information is shown below. The balance sheet items are based on the position as of the third quarter ended of SAN

MIGUEL, and the items belonging to the statement of income are based on the results of 6 months period from the second quarter to the third quarter of SAN MIGUEL. These figures are included in the consolidated figures of the Company.

	(Millions of yen)
Total Current Assets	¥37,361
Total Fixed Assets	72,425
Total Deferred Assets	9,433
Total Current Liabilities	10,088
Total Long-term Liabilities	73,340
Total Net Assets	35,791
Sales	48,802
Income before income taxes and minority interests	12,101
Net income	¥8,968

34. BUSINESS COMBINATIONS

For the year ended December 31, 2010

1. Trade name and business description of acquired company, legal description of business combination, trade name after business combination and main purpose for business combination

(1) Trade name and business description of acquired company

Acquired company: Mercian Corporation
Business description: Production and sales of wines and other alcohol beverages, chemical products, pharmaceutical products and livestock and fish feedstuff products.

(2) Legal description of business combination: Share Exchange

(3) Trade name after business combination: Mercian Corporation

(4) Main purpose for business combination

Mercian was required to correct its financial statements for last fiscal years due to a discovery of an inappropriate transaction in the Department of Fish Feedstuffs in May 2010. In response to this, the Company determined that Mercian's management base and corporate governance urgently require reinforcement, and decided to make Mercian its wholly owned subsidiary.
Accordingly, the Company and Mercian entered into the "Share Exchange Agreement", making Mercian its wholly-owned subsidiary (the Share Exchange) on August 27, 2010. The Company completed procedures for making Mercian its wholly-owned subsidiary on December 1, 2010.

2. Overview of accounting treatment applied

The Share Exchange was accounted for as transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008).

3. Matters related to additional acquisition of the subsidiary's shares

(1) Acquisition cost of acquired company and its breakdown

Consideration for acquisition (the Company's common stock)	¥10,543 million ($129,377 thousand)
Expenditure directly required for acquisition	¥372 million ($4,564 thousand)
Acquisition cost	¥10,916 million ($133,955 thousand)

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

(a) The share exchange ratio by type of share
Common stock the Company one share : Mercian 0.14 share

(b) Basis for calculation of share exchange ratio

In order to ensure fairness and reasonableness of the share exchange ratio for the Share Exchange, each of the Company and Mercian requested a separate independent third-party valuation institution to calculate a share exchange ratio. The Company and Mercian resolved the share exchange ratio by engaging in repeated negotiations and discussions based on the analysis provided by the above third-party valuation institution, and bearing in mind their respective financial conditions, performance trends, stock price movements and others.

(c) Number of shares delivered: 9,257,164 shares

(3) Amount of gain on negative goodwill and reason that the gain on negative goodwill was recognized

(a) Amount of gain on negative goodwill: ¥6,710 million ($82,341 thousand)

(b) Reason that the gain on negative goodwill was recognized
Gain on negative goodwill was recognized since the additional acquisition cost of Mercian’s common share was less than the decrease in minority interest corresponding to the Share Exchange.

For the year ended December 31, 2009

None.

35. SUBSEQUENT EVENTS

On March 11, 2011, the 2011 off the Pacific coast of Tohoku Earthquake occurred and the Sendai Plant of Kirin Brewery Company, Limited, a consolidated subsidiary, and others, suffered damage. At the Sendai Plant of Kirin Brewery Company, Limited, all facilities sustained damage including the collapse of four beer storage tanks while the tsunami has damaged product stocks. The outlook for the future restoration and the actual realized losses including repair expenses have not been confirmed. In addition, it is difficult to estimate the effect of the disaster on the consolidated results of operations for the following fiscal year, at this time.

KPMG

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Kirin Holdings Company, Limited and consolidated subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended December 31, 2010, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kirin Holdings Company, Limited and subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
As discussed in Note 35 to the consolidated financial statements, certain consolidated subsidiaries of the Company have suffered from the 2011 off the Pacific coast of Tohoku Earthquake.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2010 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

Tokyo, Japan
March 29, 2011