

# KIRIN HOLDINGS COMPANY, LIMITED

## SUMMARY OF CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2008 (UNAUDITED)

April 30, 2008

(English Translation)

Fiscal year ending December 31, 2008

### KIRIN HOLDINGS COMPANY, LIMITED

10-1, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan (URL <http://www.kirinholdings.co.jp/english/>)

Code No.: 2503  
 Shares Listed: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo  
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### 1. Consolidated business results and financial positions for the first quarter of the current fiscal year (January 1, 2008 - March 31, 2008)

[Unit: Japanese yen (¥) ]

#### (1) Results of operations:

(Fractions less than ¥1 million have been omitted.)

	Sales (¥ millions)	Percentage change (%)	Operating income (¥ millions)	Percentage change (%)	Ordinary income (¥ millions)	Percentage change (%)
First quarter ended March 31, 2008	430,063	13.8	9,227	(45.5)	(2,088)	-
First quarter ended March 31, 2007	378,009	8.0	16,923	18.5	16,685	8.2
Year ended December 31, 2007	1,801,164		120,608		123,389	

	Net income (¥ millions)	Percentage change (%)	Net income per share (Primary) (¥)	Net income per share (Diluted) (¥)
First quarter ended March 31, 2008	(675)	-	(0.71)	-
First quarter ended March 31, 2007	6,516	2.3	6.82	-
Year ended December 31, 2007	66,713		69.86	-

Note: Percentage change compares current results with those of the first quarter period of the previous year.

#### (2) Financial positions:

	Total assets (¥ millions)	Net assets (¥ millions)	Ratio of equity to total assets (%)	Net assets per share (¥)
March 31, 2008	2,381,523	1,030,411	41.4	1,033.69
March 31, 2007	1,942,685	1,059,080	52.1	1,060.17
December 31, 2007	2,469,667	1,099,555	42.7	1,104.83

(3) Cash flows:

	Cash flows from operating activities (¥ millions)	Cash flows from investing activities (¥ millions)	Cash flows from financing activities (¥ millions)	Cash and cash equivalents at end of period (¥ millions)
First quarter ended March 31, 2008	(12,652)	(8,388)	114,072	142,432
First quarter ended March 31, 2007	(22,432)	8,294	(1,658)	69,963
Year ended December 31, 2007	114,585	(269,621)	121,555	52,307

## 2. Dividends

Record date	Dividends per share		
	Interim (¥)	Year-end (¥)	Total (Annual) (¥)
Year ended December 31, 2007	9.00	12.00	21.00
Year ending December 31, 2008 (Actual)	-	-	
Year ending December 31, 2008 (Forecast)	11.50	11.50	23.00

## 3. Forecast of consolidated business results for the current fiscal year [Reference] (January 1, 2008 - December 31, 2008)

	Sales (¥ millions)	Percentage change (%)	Operating income (¥ millions)	Percentage change (%)	Ordinary income (¥ millions)	Percentage change (%)
6 months ending June 30, 2008	1,040,000	24.4	59,000	37.6	53,000	16.0
Year ending December 31, 2008	2,400,000	33.2	164,000	36.0	151,000	22.4

  

	Net income (¥ millions)	Percentage change (%)	Net income per share (¥)
6 months ending June 30, 2008	88,000	423.9	92.18
Year ending December 31, 2008	130,000	94.9	136.18

Note: Percentage change compares forecast results with those of the period of the previous year.

## 4. Others (January 1, 2008 - December 31, 2008)

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries accompanying change in scope of consolidation): None

(2) Adoption of simple methods in accounting policies: Yes

(3) Changes in accounting policies: Yes

Note: For details, please refer to 6. OTHER of "QUALITATIVE INFORMATION AND FINANCIAL STATEMENTS, ETC." on page 9

### Information about proper usage of forecast of business results, and other special instructions

The above forecast for the fiscal year ending December 31, 2008 have been revised after reviewing the figures announced on April 1, 2008.

Please refer to page 8 and 9 for the assumptions and other matters related to the forecast of consolidated business results provided herein.

## **QUALITATIVE INFORMATION AND FINANCIAL STATEMENTS, ETC.**

### **1. CONSOLIDATED RESULTS FOR THE FIRST QUARTER OF 2008**

*Note: All comparisons are with the first quarter of 2007 unless stated otherwise*

The Japanese economy showed signs of slowing during the first quarter of 2008, impacted by factors such as high energy and raw material prices, and the rapid strengthening of the yen against the US dollar.

Consolidated sales for the three-month period ended March 31, 2008 increased 13.8% to ¥430.0 billion, contributed to by the inclusion of National Foods Limited ("National Foods") in the scope of consolidation, and strong sales at consolidated subsidiary Lion Nathan in Australia. Earnings declined, however, due to escalating raw material costs at Kirin Brewery Company, Limited ("Kirin Brewery") and Kirin Beverage Company, Limited ("Kirin Beverage"), along with a decline in sales volumes of core products at Kirin Beverage and Kirin Pharma Company, Limited ("Kirin Pharma"), and the amortization of goodwill arising from the acquisition of National Foods.

<b><u>Kirin Holdings Company, Limited 2008 first quarter results:</u></b>	
Consolidated sales	¥430.0 billion, up 13.8%
Consolidated operating income	¥9.2 billion, down 45.5%
Consolidated ordinary loss	(¥2.0 billion)
Net loss	(¥0.6 billion)

Results by business segment are outlined below. It should be noted that from the current fiscal year, foods, health foods, functional foods and other such products have been shifted from the Others business segment to the Soft Drinks business segment, and the Soft Drinks segment has been renamed the Soft Drinks and Foods business segment. The Soft Drinks and Foods segment includes such operating businesses as Kirin Beverage, Australian consolidated subsidiary National Foods, Kirin Yakult NextStage Co., Ltd. ("KYNS"), and Kirin Food-Tech Company, Limited (Kirin Food-Tech"). Further, engineering, distribution and other such companies that were previously included in the Other business segment have been transferred into the Alcohol Beverages business segment, reflecting a management policy to administer these companies in close coordination with the alcohol business. In order to enable like-for-like comparison, figures for the previous year have been restated to reflect the new business segment allocations. Further details are available on Page 16 and 17, CHANGES IN CLASSIFICATION OF BUSINESS SEGMENT.

At the end of the previous fiscal year, Kyowa Hakko Kogyo Co., Ltd. ("Kyowa Hakko") became an equity method affiliate as a result of a tender offer implemented between October 31, 2007 and December 6, 2007 under which Kirin acquired ordinary shares of Kyowa Hakko. As a result of these share acquisitions, along with a share exchange between Kyowa Hakko and Kirin Pharma undertaken on April 1, 2008, Kirin has acquired 50.1% of Kyowa Hakko, and Kyowa Hakko will become a consolidated subsidiary of Kirin from the second quarter of 2008.

On March 19, 2008, Kirin issued unsecured straight bonds, procuring funds of ¥200 billion for total. These funds were raised in order to repay short-term loans taken out to fund strategic investment in Kyowa Hakko and National Foods and convert this funding into long-term debt.

## Alcohol Beverages Business

During the period under review we continued to develop our operations as a comprehensive alcohol beverages group, and furthered the development of our business and capital alliance with Mercian Corporation. In February we raised the price of our beer, happo-shu and new genre products, having reached the point where it was not possible to absorb the impact of escalating raw material and oil prices solely through company efforts to reduce costs.

At Kirin Brewery we pursued a three-pronged strategy of strengthening our core products, building presence in low-carbohydrate products, and increasing overall sales. In the beer category, we revised the flavor and package design of mainstay beer *Kirin The Gold*. In happo-shu, the February launch of our new low-calorie, zero-carbohydrate product *Kirin ZERO* achieved strong sales and enhanced our low-carbohydrate product range that has been spearheaded by *Kirin Green Label* and *Kirin Alpha*.

*Note: Under Japanese food labeling standards, low-calorie beverages are classified as those that have less than 20kcal per 100ml, and zero-carbohydrate products as those that have no more than 0.5g of carbohydrates per 100ml.*

In the new genre category, sales of *Kirin Nodogoshi Nama*, which have benefited from the gravitation of consumers to core brands, reached a milestone when they exceeded cumulative four billion 350ml cans since launch. Our overall sales volumes of new genre products, including *Kirin Sparkling Hop*, grew significantly.

At Mercian Corporation, which in 2008 is embarking on the first year of its new medium-term business plan, we are working to maximize group synergies and become the strong number one in wine and processing liquors. In domestic and imported daily and fine wines, we are implementing a range of strategic value propositions. In March we took the first step with the launch of the *Mercian Uchi! Gochi!* series of wines designed to be an easy accompaniment to regular meals. In imported wines, we recorded strong sales of our line-up of screw cap products, including *Sunrise* and *Fronterra* from Chile, and *Eaglehawk* from Australia.

In our overseas alcohol beverages business, we have continued to strengthen our beer business in Asia and Oceania. In China, production progressed smoothly at the new brewery at Kirin Brewery (Zhuhai) Company, Limited completed last year, contributing to the expansion of our operations in the Pearl River Delta. At Australian consolidated subsidiary Lion Nathan, beer business in Australia and New Zealand trended steadily. In the active Russian market, meanwhile, we continued with activities to increase the market presence and sales of *Kirin Ichiban Shibori*.

Consolidated sales in the Alcohol Beverages Business decreased 0.6% for the first quarter period under review. Although overseas operations performed well with the contribution from Lion Nathan, domestic sales volumes were impacted by factors such as Kirin taking the industry lead in raising prices. Operating income increased 34.5%, with a change in the allocation of group administrative expenses compensating for the negative impact of high raw material costs.

Alcohol Beverages Business 2008 first quarter results:

Consolidated sales	¥248.0 billion, down 0.6%
Consolidated operating income	¥16.4 billion up 34.5%

### **Soft Drinks and Foods Business**

In the soft drinks business, Kirin Beverage Corporation has positioned the three-year period from 2007-2009 as 'Three years to establish a new competitive position' and is seeking to strengthen its business base while expanding its business scale.

In the first quarter of 2008, we revised the packaging and flavor of our core green tea beverage *Kirin Nama-cha* to emphasize the freshness of the tea leaves used in this product. We also refreshed the taste, packaging and advertising for *Kirin Lemon*, which this year celebrates its 80<sup>th</sup> year in the market, promoting the trust, reliability and intergenerational taste offered by this long-selling product, based on a marketing theme of *soda that all families can enjoy*. Overall sales volumes at Kirin Beverage were nonetheless lower, partly because of the small number of new products.

In manufacturing, we boosted production of *Kirin Alkali-Ion-no-Mizu* at the Gotemba plant of Kirin Distillery by commencing operation of a second production line in March.

Overseas, Shanghai Jin Jiang Kirin Beverage & Food Co. continued to enjoy strong sales of the 500ml PET bottle *Kirin Gogono-Kocha Milk Tea* beverage that was launched with the start of production in China last year.

At National Foods, in Australia, sales revenues from major dairy brands *Pura* and *Big M* increased by double digits as a result of implementing price rises. Sales of fruit juice brand *Berri* also trended steadily.

At Kirin Food-Tech, production began in March at the Kirin Miwon Foods, Ltd. seasonings plant constructed in Indonesia in a joint venture with South Korean company Daesang Corporation. This plant is producing nucleotide seasonings under the brand name Ribotide. Also in March, Kirin Food-Tech received regulatory permission to commence operations at a new 100% subsidiary in China, Kirin Shanghai Trading Company Ltd.

At KYNS, we realigned the marketing concept for our best-selling product *Lieta*\* with the launch of *Lieta Cereal Bar* in March. In response to recent changes in the perceptions and interests of female consumers, we have repositioned this product from being a 'style support food' to being a 'conditioning food' for health and beauty. In the same month, we began development of our @series range of supplements.

\* Lieta had the highest sales revenues in the calorie control category within diet products sold at drug stores and pharmacies nationwide from January – December 2007 (research by Kirin Yakult NextStage)

In the foods business of Kyowa Hakko, overall sales progressed firmly, despite the impact of

high raw material costs on natural seasonings, bakery products and bread ingredients.

Consolidated sales in the Soft Drinks and Foods business increased 59.0%, reflecting the consolidation of National Foods, along with good performance at KYNS and Kirin Food-Tech. Operating income declined, however, due to the impact of higher raw material costs and lower sales volumes at Kirin Beverage.

**Soft Drinks and Foods Business 2008 first quarter results:**

Consolidated sales	¥155.8 billion, up 59.0%
Consolidated operating loss	(¥3.7 billion)

*Note: Consolidated sales and operating income in this business sector for the first quarter of 2008 do not reflect the performance of Kyowa Hakko, as for the first quarter Kyowa Hakko is an equity method affiliate.*

### **Pharmaceuticals Business**

In a tough competitive environment for Kirin Pharma, sales of our core anemia medicines ESPO and NESP declined. On January 25 we launched REGPARA Tablets, a treatment for secondary hyperparathyroidism during maintenance dialysis (during dialysis therapy), and the product is making steady progress in the market. In overseas business, sales of main products in the Asian region progressed steadily.

At Kyowa Hakko, good sales performance was achieved from core products such as Allelock, an antiallergic agent, Depakene, a central nervous system agent, and Patanol, an antiallergic eye drop. In March, Kyowa Hakko formed a licensing agreement with U.S. company Amgen under which Amgen will receive an exclusive right to develop and commercialize Kyowa Hakko's humanized monoclonal antibody KW-0761 worldwide. Under the terms of the agreement, Kyowa Hakko is entitled to payments in relation to development, approval and sales milestones, along with royalties on sale, in addition to an upfront payment of \$100 million. The upfront contract payment is expected to be recorded in Kirin's consolidated interim results for 2008.

Consolidated sales and operating income in the Pharmaceuticals business both decreased in the first quarter.

**Pharmaceuticals Business 2008 first quarter results:**

Consolidated sales	¥10.6 billion, down 26.3%
Consolidated operating loss	(¥2.7 billion)

### **Other Businesses**

Kirin Agribio Co., Ltd. last year began full distribution of its new non-pollinated gerbera *Fruitcake* series, and sales of this series progressed well, as did sales of the spray mum *Alts* series being introduced with the aim of developing a new core product range.

In Kyowa Hakko's bio-chemical business, exports of amino acids for medicinal and industrial use were strong, particularly with regard to infusion applications. In Kyowa Hakko's chemicals

business, the impact of high raw materials prices was ameliorated by expanded sales and the implementation of price revisions. Good performance was also recorded for sales of environmentally friendly products such as non-ozone depleting CFC substitutes and refrigeration and air conditioning lubricant raw material synthetic fatty acids, along with coating resin materials with reduced environmental impact.

Consolidated sales in Other businesses decreased in the first quarter, and operating income increased.

**Other Businesses 2008 first quarter results:**

Consolidated sales	¥15.6 billion, down 3.6%
Consolidated operating income	¥1.7 billion, up 72.0%

*Note: Consolidated sales and operating income in this business sector for the first quarter of 2008 do not reflect the performance of Kyowa Hakko, as for the first quarter Kyowa Hakko is an equity method affiliate.*

## **2. FINANCIAL POSITION**

Total assets as of March 31, 2008 stood at ¥2,381.5 billion, an increase of ¥438.8 billion, or 22.6%, compared to one year earlier. Key elements of this increase were an increase of goodwill of ¥143.8 billion arising from the acquisition of Australian company National Foods and others, and an increase in investment securities of ¥92.7 billion arising principally from the acquisition of Kyowa Hakko shares.

Total liabilities as of March 31, 2008 stood at ¥1,351.1 billion, an increase of ¥467.5 billion, or 52.9%, compared to one year earlier. Key elements of this increase were short-term borrowings of ¥266.3 billion for the acquisitions of National Foods and Kyowa Hakko shares, along with an increase in bonds of ¥197.7 billion from a new bond issue.

Net assets as of March 31, 2008 stood at ¥1,030.4 billion, a decrease of ¥28.6 billion, or 2.7%, compared to one year earlier. Although retained earnings from net income and other factors increased ¥39.3 billion, the recorded value of other investment securities decreased by ¥50 billion as a result of decreases in the share price of equity holdings.

Consolidated cash flows were as follows:

### **Cash flow from operating activities**

Net cash outflow from operating activities was ¥12.6 billion, ¥9.7 billion lower than the net cash outflow of ¥22.4 billion recorded in the first quarter of 2007. Although income before taxes and minority interests decreased ¥10.2 billion, changes in notes and accounts receivable, inventory assets, notes and accounts payable and liquor taxes payable resulted in an increase of ¥17.5 billion in working capital.

### **Cash flow from investing activities**

Net cash used in investing activities was ¥8.3 billion, ¥16.6 billion more than in the first quarter of 2007. This was primarily due to outlays of ¥20.5 billion for the acquisition of tangible and

intangible fixed assets and inflows of ¥13.6 billion for the sale of tangible and intangible fixed assets.

### **Cash flow from financing activities**

Net cash inflow from financing activities was ¥114.0 billion, ¥115.7 billion more than in the first quarter of 2007. This was primarily due to an inflow of ¥199.9 billion from the issuance of bonds and a reduction in short-term debt of ¥95.2 billion.

Consolidated cash and cash equivalents ("cash") totaled ¥142.4 billion as of March 31, 2008, an increase of ¥90.1 billion compared to the end of the previous fiscal year.

### **3. FULL-YEAR FORECASTS**

Consolidated interim and full-year forecasts for 2008, which were revised on April 1, 2008 to reflect the inclusion of Kyowa Hakko's results forecasts for the fiscal year ended March 2008, are again being revised, as below, to reflect the inclusion of Kyowa Hakko's results forecasts for the fiscal year ending March 2009.

As announced on February 7, 2008, the planned interim dividend for 2008 is ¥23 per share.

Consolidated interim forecasts (January 1, 2008 to June 30, 2008)

	Revised interim forecast	Increase compared to interim period ended June 30, 2007
Sales	¥1,040 billion	24.4%
Operating income	¥59.0 billion	37.6%
Ordinary income	¥53.0 billion	16.0%
Net income	¥88.0 billion	423.9%

Consolidated full-year forecasts (January 1, 2008 to December 31, 2008)

	Revised full-year forecast	Increase compared to full-year ended December 31, 2007
Sales	¥2,400 billion	32.2%
Operating income	¥ 164.0 billion	36.0%
Ordinary income	¥ 151.0 billion	22.4%
Net income	¥130.0 billion	94.9%

### **4. INFLUENCE OF SEASONAL FACTORS**

Sales of Kirin Group's core alcohol beverages and soft drinks are subject to change with the seasons, as demand peaks in summer.

### **5. NOTE CONCERNING FORECASTS**

The statements concerning future performance that are presented in this document are based on judgments using information available to Kirin Holdings and the Kirin Group as of April 30, 2008. Certain risks and uncertainties could cause the results of Kirin Holdings and the Kirin Group to differ materially from any projections presented herein. These risks and uncertainties include, but



are not limited to, the economic circumstances surrounding the Company's businesses, market trends, and exchange rates.

## **6. OTHER**

- (1) Transfer of important subsidiaries during period (Transfers of specific subsidiaries resulting in changes in the scope of consolidation)

No applicable information for the period under review.

- (2) Adoption of simplified accounting methods

Income tax is calculated by applying the estimated annual effective tax rate.

- (3) Changes in accounting methods

Consolidated first quarter balance sheets:

Negotiable deposits, which in the previous first quarter were included in Cash and Cash Equivalents, are from the first quarter of 2008 included in Marketable Securities. In the previous first quarter period the amount of negotiable deposits was ¥35 billion yen. As of March 31, 2008 the amount was ¥83 billion yen.

Segment information:

From the first quarter period of 2008, business segment categories have changed. For details please see page 16 and 17, SEGMENT INFORMATION (CHANGES IN CLASSIFICATION OF BUSINESS SEGMENT)

- (4) Changes in presentation of financial statements

Consolidated first quarter balance sheets:

Life Insurance Investments, which in the first quarter of the previous year were recorded as a separate line item, have from the first quarter of 2008 been included in Other under Investments and Other Assets, due to a decrease in materiality.

Consolidated first quarter statements of income:

Foreign Currency Translation Losses have been included as a separate line item, as the figure exceeds 10% of total non-operating expenses.

## 7. CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER

### CONSOLIDATED BALANCE SHEETS

(¥ millions)

CONSOLIDATED BALANCE SHEETS								(4 millions)
ASSETS	At March 31, 2007		At March 31, 2008		Increase (Decrease) Amount	At December 31, 2007		
	Amount	Percentage over total assets	Amount	Percentage over total assets		Amount	Percentage over total assets	
Current Assets								
Cash	72,450		61,670		(10,780)	55,009		
Notes and accounts receivable, trade	283,162		253,002		(30,160)	361,127		
Marketable securities	411		83,169		82,758	246		
Inventories	136,623		160,829		24,206	148,649		
Other	50,209		70,060		19,851	72,097		
Allowance for doubtful accounts	(2,431)		(2,295)		136	(2,500)		
Total Current Assets	540,426	27.8	626,435	26.3	86,009	634,629	25.7	
Fixed Assets								
Property, Plant and Equipment								
Buildings and structures	193,706		199,020		5,314	203,103		
Machinery, equipment and vehicles	169,665		191,262		21,597	197,053		
Land	156,612		158,226		1,614	158,558		
Construction in progress	39,336		51,756		12,420	35,437		
Other	41,299		41,642		343	41,809		
Total	600,620	30.9	641,907	27.0	41,287	635,963	25.7	
Intangible Assets								
Goodwill	95,736		239,618		143,882	258,780		
Other	69,961		120,118		50,157	128,134		
Total	165,697	8.5	359,736	15.1	194,039	386,915	15.7	
Investments and Other Assets								
Investment securities	560,066		652,861		92,795	712,234		
Life insurance investments	14,789		-		(14,789)	-		
Other	64,669		103,610		38,941	102,809		
Allowance for doubtful accounts	(3,584)		(3,029)		555	(2,884)		
Total	635,941	32.8	753,442	31.6	117,501	812,160	32.9	
Total Fixed Assets	1,402,258	72.2	1,755,087	73.7	352,829	1,835,038	74.3	
TOTAL ASSETS	1,942,685	100.0	2,381,523	100.0	438,838	2,469,667	100.0	

(¥ millions)

(\$ millions)

LIABILITIES	At March 31, 2007		At March 31, 2008		Increase (Decrease)	At December 31, 2007	
	Amount	Percentage over total assets	Amount	Percentage over total assets	Amount	Amount	Percentage over total assets
Current Liabilities							
Notes and accounts payable, trade	102,943		122,952		20,009	139,255	
Short-term loans payable and long-term debt with current maturities	32,055		298,428		266,373	404,725	
Reserves	3,617		8,407		4,790	7,765	
Bonds due within one year	-		44,563		44,563	-	
Liquor taxes payable	81,745		45,006		(36,739)	108,260	
Income taxes payable	13,368		3,009		(10,359)	31,958	
Accrued expenses	80,495		90,843		10,348	105,216	
Deposits received	20,462		24,354		3,892	17,286	
Other	60,564		73,084		12,520	77,293	
Total Current Liabilities	395,252	20.4	710,652	29.8	315,400	891,760	36.1
Long-term Liabilities							
Bonds	98,733		251,898		153,165	92,831	
Long-term debt	124,436		135,710		11,274	112,244	
Employees' pension and retirement benefits	59,035		59,657		622	60,188	
Other reserves	10,892		6,373		(4,519)	6,977	
Deposits received	71,288		69,659		(1,629)	69,644	
Other	123,966		117,160		(6,806)	136,465	
Total Long-term Liabilities	488,352	25.1	640,459	26.9	152,107	478,351	19.4
TOTAL LIABILITIES	883,604	45.5	1,351,112	56.7	467,508	1,370,111	55.5

(¥ millions)

NET ASSETS	At		At		Increase (Decrease)	At	
	March 31, 2007		March 31, 2008			December 31, 2007	
	Amount	Percentage	Amount	Percentage		Amount	Amount
		over total assets		over total assets			
Shareholders' Equity							
Common stock	102,045	5.2	102,045	4.3	-	102,045	4.1
Capital surplus	71,125	3.7	71,371	3.0	246	71,353	2.9
Retained earnings	730,052	37.6	769,366	32.3	39,314	781,499	31.6
Treasury stock, at cost	(27,128)	(1.4)	(28,330)	(1.2)	(1,202)	(28,170)	(1.1)
Total Shareholders' Equity	876,095	45.1	914,454	38.4	38,359	926,727	37.5
Valuation and Translation Adjustments							
Net unrealized holding gains on securities	140,800	7.2	90,757	3.8	(50,043)	124,743	5.1
Deferred gains or losses on hedges	(16)	(0.0)	1,471	0.1	1,487	370	0.0
Land revaluation difference	(4,713)	(0.2)	(4,713)	(0.2)	-	(4,713)	(0.2)
Foreign currency translation adjustments	486	0.0	(15,156)	(0.6)	(15,642)	7,683	0.3
Total Valuation and Translation Adjustments	136,557	7.0	72,359	3.1	(64,198)	128,083	5.2
Minority interests	46,427	2.4	43,597	1.8	(2,830)	44,744	1.8
TOTAL NET ASSETS	1,059,080	54.5	1,030,411	43.3	(28,669)	1,099,555	44.5
TOTAL LIABILITIES AND NET ASSETS	1,942,685	100.0	2,381,523	100.0	438,838	2,469,667	100.0

# CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

	First quarter ended March 31, 2007		First quarter ended March 31, 2008		Increase (Decrease)	Year ended December 31, 2007	
	Amount	Percentage over sales	Amount	Percentage over sales		Amount	Percentage over sales
Sales	378,009	100.0	430,063	100.0	52,054	1,801,164	100.0
Cost of sales	227,299	60.1	259,129	60.3	31,830	1,078,614	59.9
Gross profit	150,710	39.9	170,933	39.8	20,223	722,550	40.1
Selling, general and administrative expenses	133,786	35.4	161,706	37.6	27,920	601,942	33.4
Operating income	16,923	4.5	9,227	2.2	(7,696)	120,608	6.7
Non-operating income							
Interest income	336		659			1,971	
Dividend income	465		535			5,292	
Equity in earnings of affiliates	2,425		138			10,282	
Other	859		1,602			5,548	
Total	4,086	1.1	2,936	0.7	(1,150)	23,094	1.3
Non-operating expenses							
Interest expense	2,900		6,043			12,618	
Loss on sale and disposal of finished goods	65		0			1,944	
Foreign currency translation loss	-		6,656			-	
Other	1,357		1,551			5,749	
Total	4,324	1.1	14,252	3.3	9,928	20,312	1.1
Ordinary income (loss)	16,685	4.4	(2,088)	(0.5)	(18,773)	123,389	6.9
Special income							
Gain on sale of fixed assets	388		9,761			19,728	
Reversal of allowance for doubtful accounts	89		69			687	
Gain on sale of investment securities	69		0			653	
Gain on sale of shares of subsidiaries and affiliates	191		-			184	
Reversal of other reserves	11		-			62	
Gain on transfer of real estate in trust	-		-			1,089	
Total	749	0.2	9,830	2.3	9,081	22,404	1.2
Special expenses							
Loss on disposal of fixed assets	321		275			5,578	
Loss on sale of fixed assets	8		12			564	
Loss on impairment	-		-			2,361	
Loss on devaluation of investment securities	-		4			230	
Loss on sale of investment securities	-		600			14	
Business restructuring expense	-		-			3,878	
Loss on sale of shares of subsidiaries and affiliates	-		-			1,731	
Loss of equity method investments	-		-			1,929	
General interest charge of income taxes for prior years in a foreign subsidiary	-		-			1,092	
Total	329	0.1	892	0.2	563	17,380	1.0
Income before income taxes and minority interests	17,105	4.5	6,850	1.6	(10,255)	128,413	7.1
Income taxes	7,635	2.0	3,131	0.7	(4,504)	52,355	
Income taxes for prior years	-		-		-	(2,011)	
Total	-		-		-	50,343	2.8
Minority interests	2,954	0.8	4,393	1.0	1,439	11,355	0.6
Net income (loss)	6,516	1.7	(675)	(0.2)	(7,191)	66,713	3.7

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ millions)

	First quarter ended March 31, 2007	First quarter ended March 31, 2008	Increase (Decrease)	Year ended December 31, 2007
Cash flows from operating activities				
Income before income taxes and minority interests	17,105	6,850	(10,255)	128,413
Depreciation and amortization	16,510	18,173	1,663	71,913
Increase (decrease) in reserves	(3,544)	(1,115)	2,429	(1,913)
Interest and dividend income	(801)	(1,195)	(394)	(7,263)
Interest expense	2,900	6,043	3,143	12,618
Decrease (increase) in notes and accounts receivable, trade	40,503	105,240	64,737	(3,205)
Decrease (increase) in inventories	(15,173)	(15,355)	(182)	(10,439)
Increase (decrease) in notes and accounts payable, trade	(5,503)	(16,707)	(11,204)	5,076
Increase (decrease) in liquor taxes payable	(27,436)	(63,210)	(35,774)	(57)
Other	(17,750)	(15,129)	2,621	(17,226)
Sub-total	6,810	23,593	16,783	177,917
Interest and dividend received	1,117	1,626	509	10,472
Interest paid	(2,023)	(5,870)	(3,847)	(11,629)
Income taxes paid	(28,337)	(32,002)	(3,665)	(62,175)
Net cash provided by (used in) operating activities	(22,432)	(12,652)	9,780	114,585
Cash flows from investing activities				
Payment for purchases of property, plant and equipment and intangible assets	(13,469)	(20,506)	(7,037)	(66,873)
Proceeds from sale of property, plant and equipment and intangible assets	1,033	13,624	12,591	24,747
Payment for purchases of marketable securities and investment securities	(4,816)	(212)	4,604	(183,787)
Proceeds from sale and redemption of marketable securities and investment securities	385	1,691	1,306	9,194
Payment for acquisition of shares of newly consolidated subsidiaries	-	229	229	(70,589)
Proceeds from cancellation of life insurance investments	23,241	15	(23,226)	23,232
Other	1,919	(3,230)	(5,149)	(5,546)
Net cash provided by (used in) investing activities	8,294	(8,388)	(16,682)	(269,621)

(¥ millions)

	First quarter ended March 31, 2007	First quarter ended March 31, 2008	Increase (Decrease)	Year ended December 31, 2007
Cash flows from financing activities				
Increase (decrease) in short-term loans payable	14,514	(95,222)	(109,736)	310,909
Proceeds from long-term debt	15,509	40,558	25,049	18,139
Repayment of long-term debt	(18,635)	(16,868)	1,767	(177,758)
Proceeds from issue of bonds	-	199,934	199,934	-
Payment for purchase of treasury stock	(350)	(183)	167	(1,711)
Proceeds from sale of treasury stock	22	42	20	576
Cash dividends paid	(7,029)	(9,607)	(2,578)	(17,208)
Cash dividends paid to minority shareholders	(6,275)	(6,075)	200	(12,554)
Other	586	1,494	908	1,162
Net cash provided by (used in) financing activities	(1,658)	114,072	115,730	121,555
Effect of exchange rate fluctuation on cash and cash equivalents	(829)	(2,905)	(2,076)	(740)
Net increase (decrease) in cash and cash equivalents	(16,625)	90,125	106,750	(34,222)
Cash and cash equivalents at beginning of year	86,588	52,307	(34,281)	86,588
Net increase (decrease) in cash and cash equivalents from new consolidation/de-consolidation of subsidiaries	-	-	-	(58)
Cash and cash equivalents at end of period	69,963	142,432	72,469	52,307

## SEGMENT INFORMATION

Business segment information

(¥ millions)

First quarter ended March 31, 2007							
	Alcohol Beverages	Soft Drinks	Pharmaceuticals	Others	Total	Eliminations or Corporate	Consolidated
Sales							
Unaffiliated customers	241,718	83,804	14,393	38,093	378,009	-	378,009
Inter-segment	941	11	-	21,585	22,538	(22,538)	-
Total sales	242,660	83,816	14,393	59,678	400,548	(22,538)	378,009
Operating expenses	230,635	80,646	12,333	59,436	383,051	(21,964)	361,086
Operating income	12,024	3,170	2,060	242	17,497	(574)	16,923

The type and nature of products are considered in the classification by business segments.

Main products by each business segment are as follows:

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

Unallocable operating expenses included in "Eliminations or Corporate" amount to ¥565 million, mainly consisting of costs for research and development of basic technologies.

(¥ millions)

First quarter ended March 31, 2008							
	Alcohol Beverages	Soft Drinks and Foods	Pharmaceuticals	Others	Total	Eliminations or Corporate	Consolidated
Sales							
Unaffiliated customers	248,024	155,813	10,608	15,616	430,063	-	430,063
Inter-segment	6,879	327	-	6,920	14,127	(14,127)	-
Total sales	254,903	156,141	10,608	22,536	444,190	(14,127)	430,063
Operating expenses	238,480	159,915	13,330	20,801	432,527	(11,691)	420,835
Operating income (loss)	16,423	(3,773)	(2,721)	1,735	11,663	(2,436)	9,227

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 ( <i>happo-shu</i> ), new genre, whiskey, spirits, wine, engineering, logistics, etc.
Soft drinks and Foods	Soft drinks, other drinks, foods, health foods & functional foods, etc.
Pharmaceuticals	Pharmaceutical products
Others	Floriculture, etc.

Unallocable operating expenses included in "Eliminations or Corporate" amount to ¥3,875 million, mainly consisting of ¥3,265 million for Group administrative expenses due to the Company's transfer to a pure holding company and ¥610 million for research and development of basic technologies.

Due to the transfer of the Company into a pure holding company, from the third quarter of the previous fiscal year, general corporate expenses, which were allocated to each segment based on sales criteria, are included in Eliminations or Corporate as Group administrative expenses of the Company.

## CHANGES IN CLASSIFICATION OF BUSINESS SEGMENT

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 first quarter consolidated accounting period 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."

Meanwhile, the Company introduced the pure holding company system on July 1, 2007, and implemented a restructuring of the Group's management structure. Accordingly, the Company changed its method of business segment classification and classified them "based on the business management framework in consideration of the type and nature of products" in view of the new management structure, as business segments had previously been classified "in consideration of the type and nature of products" from the previous third quarter consolidated accounting period.

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

For reference, business segment information for the previous first quarter consolidated accounting period that shows the business classification to conform to the previous third quarter and this first quarter's consolidated accounting period is provided below:

(¥ millions)							
First quarter ended March 31, 2007							
	Alcohol Beverages	Soft Drinks and Foods	Pharma- ceuticals	Others	Total	Eliminations or Corporate	Consolidated
Sales							
Unaffiliated customers	249,439	97,974	14,393	16,201	378,009	-	378,009
Inter-segment	6,647	13	-	4,188	10,849	(10,849)	-
Total sales	256,087	97,988	14,393	20,390	388,859	(10,849)	378,009
Operating expenses	243,873	95,786	12,333	19,380	371,374	(10,287)	361,086
Operating income	12,213	2,202	2,060	1,009	17,485	(562)	16,923

# **Supplementary Documents to the Financial Statements for the First Quarter Ended March 31, 2008**

## **Supplementary Documents to the Consolidated Financial Statements**

1. Results of Operations
2. Sales Details
3. Profit Breakdown for the First Quarter (Actual)
4. Major Expenses and Others
5. Major Fluctuations of Balance Sheets
6. Profit Breakdown for the Current Fiscal Year (Forecast)

## **(Reference Material)**

1. Guide to Kirin Group Consolidated Financial Indices
2. Guide to Kirin Group Consolidated Management Indices
3. Results of Operations by Major Companies (Consolidated)
4. Sales Details of Domestic Alcohol Beverages  
(Kirin Brewery Company, Ltd.)
5. Sales Details of Soft Drink Beverages (Kirin Beverage Group)
6. Sales Details of Pharmaceuticals (KYOWA HAKKO KOGYO CO.,  
LTD. and Kirin Pharma Company, Ltd.)

**KIRIN HOLDINGS COMPANY, LIMITED**

**April 30, 2008**

## 1. Results of Operations

(¥ billions)

	2007				2008			
	The 1st quarter Actual		Annual Actual		The 1st quarter Actual		Annual Forecast	
(year-on-year rate)								
Sales	378.0	8.0%	1,801.1	8.1%	430.0	13.8%	2,400.0	33.2%
Operating income	16.9	18.5%	120.6	3.7%	9.2	(45.5%)	164.0	36.0%
Ordinary income	16.6	8.2%	123.3	2.1%	(2.0)	-	151.0	22.4%
Net income	6.5	2.3%	66.7	24.7%	(0.6)	-	130.0	94.9%
EBITDA	*1 37.6	11.6%	*1 213.1	11.5%	*1 33.5	(10.8%)	*2 285.0	33.7%

\*1 EBITDA = Income before income taxes and minority interests + interest expense - interest and dividend income + depreciation + amortization of goodwill

\*2 EBITDA = Operating income + equity in earning of affiliates + depreciation + amortization of goodwill + special income (loss)

## 2. Sales Details

	2007				2008			
	The 1st quarter Actual		Annual Actual		The 1st quarter Actual		Annual Forecast	
	¥ billions	Increase (Decrease)	¥ billions	Increase (Decrease)	¥ billions	Increase (Decrease)	¥ billions	Increase (Decrease)
Sales by business segments (year-on-year rate)								
Total sales	378.0	8.0%	1,801.1	8.1%	430.0	13.8%	2,400.0	33.2%
Alcohol beverages	249.4	7.8%	1,189.4	8.2%	248.0	(0.6%)	1,223.0	2.8%
Beer, <i>Happo-shu</i> and New genre	203.2	2.5%	970.8	2.4%	202.1	(0.5%)	980.6	1.0%
Other alcohol beverages	38.4	54.0%	184.5	59.8%	38.0	(1.1%)	195.0	5.7%
Other *1	7.7	(4.9%)	34.0	(5.3%)	7.7	0.8%	47.4	39.0%
Soft drinks and Foods *1	97.9	4.6%	474.5	3.1%	155.8	59.0%	769.0	62.0%
Pharmaceuticals	14.3	(0.2%)	69.9	4.0%	10.6	(26.3%)	17.5	150.3%
Other business*1	16.2	51.2%	67.2	71.3%	15.6	(3.6%)	233.0	246.6%
Agribio	5.7	(7.0%)	21.5	14.6%	5.9	3.7%	19.0	(12.0%)
Other	10.4	129.5%	45.6	123.6%	9.6	(7.6%)	214.0	368.9%

\*1 Please refer to "SEGMENT INFORMATION" on pages 16 and 17 for changes in classification of business segment in the business segment information. The actual results for fiscal year 2007 are shown in reclassified business segment.

### 3. Profit Breakdown for the First Quarter (Actual)

(¥ billions)

Major factors	Amount Increase (Decrease)	Description
Alcohol beverages segment	4.2	FY2007 the 1st quarter Actual 12.2 => FY2008 the 1st quarter Actual 16.4
	0.5	Kirin Brewery Increase in marginal profit of alcohol beverages (Sales decrease in beer ((36) thousand KL, (4.0)), in <i>happo-shu</i> ((5) thousand KL, (0.4)), increase in new genre (20 thousand KL, 2.1), and in RTD (1 thousand KL, (0.1)), increase in marginal profit of whiskey and spirits 0.8, increase due to revision of prices and difference of change in products mix, etc.)
	(1.4)	Kirin Brewery Increase in raw material cost of alcohol beverages (Increase in price for cans and cartons (0.6), increase in price of malt (0.2), increase in price of sugar and liquid sugar (0.2), etc.)
	1.2	Kirin Brewery Decrease in selling cost (Decrease in sales promotion and advertising expenses 1.2; beer, <i>happo-shu</i> and new genre 0.7, RTD 1.0, and whiskey and spirits (0.5), etc., decrease in transportation cost 0.0, etc.)
	(1.2)	Kirin Brewery Increase in other expenses (Increase in depreciation (0.5), increase in repair expenses (0.4), increase in fuel cost (0.2), etc.)
	0.3	Mercian ((1.0) => (0.7))
	3.0	Effect of organizational change *1
	1.8	Alcohol beverages segment and others
Soft drinks and Foods segment	(5.9)	FY2007 the 1st quarter Actual 2.2 => FY2008 the 1st quarter Actual (3.7)
	(0.3)	Kirin Beverage Difference in volume of sales (Decrease in sales volume (260) thousands case)
	0.1	Kirin Beverage Cost reduction (Improvement of production efficiency at its own factories, etc.)
	(0.5)	Kirin Beverage Increase in raw material cost
	(1.1)	Kirin Beverage Decrease in change of composition ratio of containers, etc.
	(2.2)	Kirin Beverage Increase in selling cost (Increase in sales promotion and advertising expenses (2.2))
	(0.6)	Kirin Beverage Increase in other sales and general administrative cost ( increase in information processing fee (0.1), increase in R&D expenses (0.1), increase in miscellaneous expenses (0.1), etc.)
	(1.1)	National Foods (0.0 => (1.1))*2 Increase in operating income of National Foods 0.0 => 1.4 Amortization of goodwill 0.0 => (1.9), brand amortization 0.0 => (0.7)
	(0.2)	Soft drinks and Foods segment and others

(¥ billions)

Major factors	Amount Increase (Decrease)	Description
Pharmaceuticals segment	(4.7)	FY2007 the 1st quarter Actual 2.0 => FY2008 the 1st quarter Actual (2.7)
	(3.2)	Kirin Pharma *3 Decrease in gross profit
	(1.2)	Kirin Pharma *3 Increase in R&D expenses
	(0.5)	Kirin Pharma *3 Increase in operating expenses and other expenses
	0.2	Decrease in administrative expenses at head office in accordance with the organizational change *1
	0.0	Pharmaceuticals segment and others
Others segment	0.7	FY2007 the 1st quarter Actual 1.0 => FY2008 the 1st quarter Actual 1.7 *1
Eliminations or Corporate	(1.9)	FY2007 the 1st quarter Actual (0.5) => FY2008 the 1st quarter Actual (2.4)
	(3.2)	Increase of unallocable operating expenses due to the organizational change *1, etc.
Decrease in operating income	(7.7)	FY2007 the 1st quarter Actual 16.9 => FY2008 the 1st quarter Actual 9.2

Non-operating income and expenses	(11.0)	
	(2.8)	Financial profit, net ((2.0) => (4.8))
	(2.3)	Equity in earnings of affiliates (Kyowa Hakko Kogyo (1.2) (Including amortization of consolidation difference (1.0), etc.)
	(6.5)	Foreign currency transaction loss ((0.1) => (6.6))
	0.6	Others
Decrease in ordinary income	(18.6)	FY2007 the 1st quarter Actual 16.6 => FY2008 the 1st quarter Actual (2.0)

Special income and expenses	8.5	
	9.4	Gain on sale of fixed assets (0.3 => 9.7)
	(0.6)	Loss on sale of investment securities (0.0 => 0.6)
	(0.3)	Others
Minority interests and income taxes, etc.	3.1	
	(1.4)	Minority interests ((2.9) => (4.3))
	4.5	Income taxes
Decrease in net income	(7.1)	FY2007 the 1st quarter Actual 6.5 => FY2008 the 1st quarter Actual (0.6)

\*1 Please refer to "SEGMENT INFORMATION" on pages 16 and 17 for changes in classification of business segment in the business segment information.

Following this changes, actual results of the first quarter of fiscal year 2007 have been reclassified in line with the changed classification. As a result, operating income of the first quarter of fiscal year 2007 increased ¥0.1 billion in the "Alcohol beverages" segment, decreased ¥0.9 billion in the "Soft drinks and Foods" segment, increased ¥0.7 billion in the "Others" segment and increased ¥0.0 billion in "Eliminations or Corporate" compared to those in former classification.

\*2 Market value and others adapted to calculation of these figures are tentative.

\*3 The figures shown are those of Pharmaceuticals segment of Kirin Brewery for the first quarter of fiscal year 2007.

	2007 The 1st quarter (Actual)	2008 The 1st quarter (Actual)
Exchange rate for overseas company		
National Foods (AUD)	¥-	¥95.03

#### 4. Major Expenses and Others

(¥ billions)

	2007		2008	
	The 1st quarter Actual	Annual Actual	The 1st quarter Actual	Annual Forecast
Research and development expenses	6.4	28.5	7.8	56.0
Depreciation *1	16.5	71.9	18.1	99.0
Amortization of goodwill *2	1.8	7.4	3.7	19.7
Financial profit, net	(2.0)	(5.3)	(4.8)	(15.0)
Capital expenditures	13.4	66.8	20.5	113.0
Cash flows	(16.6)	(34.2)	90.1	25.0
Operating activities	(22.4)	114.5	(12.6)	165.0
Investing activities	8.2	(269.6)	(8.3)	(126.0)
Financing activities	(1.6)	121.5	114.0	(14.0)

\*1 This amount includes brand amortization

\*2 Amortization of consolidation difference, "Goodwill" amortization

## 5. Major Fluctuations of Balance Sheets

(¥ billions)

	2007 The 1st quarter Actual	2008 The 1st quarter Actual	Increase (Decrease)	Reference
<b>ASSETS</b>				
Current Assets				
Cash	72.4	61.6	(10.8)	Decrease due to change in accounting policies, etc. *
Notes and accounts receivable, trade	283.1	253.0	(30.1)	Influence due to the 1st quarter-end of previous year being a bank holiday, etc.
Marketable securities	0.4	83.1	82.7	Increase due to change in accounting policies, etc. *
Inventories	136.6	160.8	24.2	Increase due to addition of a newly consolidated subsidiary (National Foods), etc.
Fixed Assets				
Intangible Assets				
Goodwill	95.7	239.6	143.9	Increase due to addition of a newly consolidated subsidiary (National Foods), etc.
Other	69.9	120.1	50.2	Increase due to addition of a newly consolidated subsidiary (National Foods), etc.
Investments and Other Assets				
Investment securities	560.0	652.8	92.8	Increase due to addition of a newly affiliated company by the equity method (Kyowa Hakko Kogyo), and decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc.
Life insurance investments	14.7	-	(14.7)	Decrease due to change in presentation, etc.
Other	64.6	103.6	39.0	Increase due to change in presentation ("Life insurance investments" recorded in "Other"), etc.
<b>LIABILITIES</b>				
Current Liabilities				
Notes and accounts payable, trade	102.9	122.9	20.0	Increase due to addition of a newly consolidated subsidiary (National Foods), etc.
Short-term loans payable and long-term debt with current maturities	32.0	298.4	266.4	Increase at Kirin Holdings, etc.
Bonds due to within one year	-	44.5	44.5	Increase due to transfer from bonds
Liquor taxes payable	81.7	45.0	(36.7)	Influence due to the 1st quarter-end of previous year being a bank holiday, etc.
Long-term Liabilities				
Bonds	98.7	251.8	153.1	Increase due to issue of bonds at Kirin Holdings
Long-term debt	124.4	135.7	11.3	Increase at Kirin Holdings, etc.
<b>NET ASSETS</b>				
Net unrealized holding gains on securities	140.8	90.7	(50.1)	Decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc.
Foreign currency translation adjustments	0.4	(15.1)	(15.5)	Decrease along with the fluctuations in Australian dollars, etc.

\* Negotiable deposits, which in the previous first quarter were included in Cash and Cash Equivalents, are from the first quarter of 2008 included in Marketable Securities. In the previous first quarter period the amount of negotiable deposits was ¥35 billion yen. As of March 31, 2008 the amount was ¥83 billion yen.

## 6. Profit Breakdown for the Current Fiscal Year (Forecast)

(¥ billions)

Major factors	Amount Increase (Decrease)	Description
Alcohol beverages segment	10.8	FY2007 Annual Actual 96.5=> FY2008 Annual Forecast 107.3
	23.1	Kirin Brewery Increase in marginal profit of alcohol beverages (Sales decrease in beer ((57) thousand KL, (6.0)), in <i>happo-shu</i> ((22) thousand KL, (2.1)), increase in new genre (66 thousand KL, 7.2), and in RTD (20 thousand KL, 2.6), increase in marginal profit of whiskey and spirits 3.4, increase due to revision of prices and change in products mix, etc.)
	(10.2)	Kirin Brewery Increase in raw material cost of alcohol beverages (Increase in price for cans and cartons, increase in price of malt, etc.)
	0.6	Kirin Brewery Decrease in selling cost (Decrease in sales promotion and advertising expenses 1.2, increase in transportation cost (0.7), etc.)
	(9.9)	Kirin Brewery Increase in other expenses (Increase in depreciation (4.2), increase in repair expenses (1.3), increase in miscellaneous expenses (1.2), increase in fuel cost, etc. (0.6), etc.)
	1.6	Mercian ((0.3) => 1.3)
	7.2	Decrease in administrative expenses at head office in accordance with the organizational change *1
	(1.6)	Alcohol beverages segment and others (Lion Nathan (0.5) *2, etc.)
Soft drinks and Foods segment	7.7	FY2007 Annual Actual 16.0 => FY2008 Annual Forecast 23.7 *1
	28.1	Kirin Beverage Difference in volume of sales (Increase in sales volume 26,540 thousands case)
	1.0	Kirin Beverage Cost reduction (Improvement of production efficiency at its own factories, etc.)
	(2.9)	Kirin Beverage Increase in raw material cost
	(4.3)	Kirin Beverage Decrease in change of composition ratio of containers, etc.
	(14.6)	Kirin Beverage Increase in selling cost (Increase in sales promotion and advertising expenses (11.6), increase in transportation cost due to increase in volume of sales (3.0))
	(5.2)	Kirin Beverage Increase in other sales and general administrative cost (Increase in depreciation cost and sales equipment cost due to increase in vending machine input (1.0), increase in labor cost (1.0), increase in information processing fee (0.9), increase in R&D expenses (0.5), etc.)
	2.9	National Foods (0.0 => 2.9) *3 National Foods 0.0 => 13.5 Amortization of goodwill 0.0 => (7.8), brand amortization 0.0 => (2.8)
	1.2	Kyowa Hakko Kogyo Foods (0.0 => 1.2)
	1.5	Soft drinks and Foods segment and others
Pharmaceuticals segment	21.6	FY2007 Annual Actual 13.0=> FY2008 Annual Forecast 34.6 *1
	78.7	Kyowa Hakko Kogyo and Kirin Pharma Increase in gross profit
	(20.8)	Kyowa Hakko Kogyo and Kirin Pharma Increase in R&D expenses
	(36.3)	Kyowa Hakko Kogyo and Kirin Pharma Increase in operating expenses and other



(¥ billions)

Major factors	Amount Increase (Decrease)	Description
Others segment	10.1	FY2007 Annual Actual 6.3 => FY2008 Annual Forecast 16.4 *1
	6.5	Kyowa Hakko Kogyo Biochemical (0.0 => 6.5)
	4.5	Kyowa Hakko Kogyo Chemicals (0.0 => 4.5)
	(0.9)	Others
Eliminations or Corporate	(6.7)	FY2007 Annual Actual (11.3) => FY2008 Annual Forecast (18.0)
	(7.8)	Increase of unallocable operating expenses due to the organizational change *1, etc.
Increase in operating income	43.4	FY2007 Annual Actual 120.6 => FY2008 Annual Forecast 164.0

Non-operating income and expenses	(15.7)	
	(9.7)	Financial profit, net ((5.3) => (15.0))
	(2.2)	Equity in earnings of affiliates (Kyowa Hakko Kogyo (0.1) *1, its amortization of consolidation difference (1.0) Kirin-Amgen (USA) (2.0) (increase in R&D expenses), etc.)
	(3.8)	Others
Increase in ordinary income	27.7	FY2007 Annual Actual 123.3=> FY2008 Annual Forecast 151.0

Special income and expenses	65.9	
	75.0	Gain on change in equity
	1.9	Loss of equity method investments for prior year
	(11.0)	Others (Gain on sales of fixed assets for prior years, etc.)
Minority interests and income taxes, etc.	(30.3)	
	(16.3)	Minority interests ((11.3) => (27.6))
	(14.0)	Income taxes
Increase in net income	63.3	FY2007 Annual Actual 66.7 => FY2008 Annual Forecast 130.0

\*1 Please refer to "SEGMENT INFORMATION" on pages 16 and 17 for changes in classification of business segment in the business segment information. In addition, Kyowa Hakko Kogyo has become a consolidated subsidiary of Kirin Holdings from the second quarter of fiscal year 2008, as a result of Kirin Holdings acquiring Kyowa Hakko Kogyo shares through a share exchange undertaken between Kirin Pharma and Kyowa Hakko Kogyo on April, 1, 2008. Accordingly, actual result of fiscal year 2007 and the forecast for fiscal year 2008 have been reclassified in line with the changed classification. As a result of this reclassification, the forecast for fiscal year 2008 decreased ¥1.6 billion in the "Soft drinks and Foods" segment and increased ¥1.6 billion in the "Others" segment.

\*2 As for Lion Nathan's actual result of fiscal year 2007, the Company reclassified certain amount of operating income into special expenses in the consolidated statements of income. The above figures are presented after reclassification. Since Lion Nathan has not disclosed its forecast of business performance, the Company uses operating results in foreign currency for the year ended 2007 as the forecast for the year ending December 31, 2008.

Exchange rate for overseas company	2007 Actual	2008 Forecast
Lion Nathan (AUD)	¥96.72	¥95.00
National Foods (AUD)	-	¥95.00
San Miguel (PHP) *4	¥2.51	¥2.50

\*3 Market value and others adapted to calculation of these figures are tentative.

\*4 Since San Miguel has not disclosed its forecast of business performance, the Company uses operating results in foreign currency for the year ended 2007 (12 months from October 2006 to September 2007) as the forecast for the year ending December 31, 2008.

## (Reference Material)

### 1. Guide to Kirin Group Consolidated Financial Indices

Quantitative targets (¥ billions)		2007 Actual	2008 Initial Annual Forecast *1	2008 Annual Forecast *2
Consolidated sales	Including liquor tax	1,801.1	2,100.0	2,400.0
	Excluding liquor tax	1,400.6	1,686.0	1,986.0
Operating income		120.6	133.0	164.0
Operating income ratio	Including liquor tax	6.7%	6.3%	6.8%
	Excluding liquor tax	8.6%	7.9%	8.3%
Amortization of goodwill etc.	1. Future portion	13.9	13.5	*3 13.5
	2. Addition of Kyowa Hakko Kogyo, NFL, JB	-	11.3	*4 17.1
	Total amortization of goodwill (1.+2.)	13.9	24.8	30.6
EBITDA		213.1	244.0	285.0
ROE	Prior to amortization of goodwill etc.	7.8%	7.5%	*5 7.8% *6 6.7%
	After amortization of goodwill etc.	6.5%	5.3%	11.7%
EPS ( ¥ / share )	Prior to amortization of goodwill etc.	85	85	*5 90 *6 76
	After amortization of goodwill etc.	70	59	136

(NFL: National Foods JB: J. Boag & Son)

\*1 Incorporating Kyowa Hakko Kogyo as equity method affiliate from January to December

\*2 Incorporating Kyowa Hakko Kogyo as equity method affiliate from January to March, and as consolidated subsidiary for remainder of year

\*3 Amortization of goodwill etc. Future portion ¥13.5 billion:

Lion Nathan ¥10.6 billion (brand amortization ¥6.8 billion, amortization of consolidation difference ¥2.6 billion, "Goodwill" amortization ¥1.2 billion)

Kirin Beverages ¥2.1 billion (amortization of consolidation difference) ,etc.

\*4 Amortization of goodwill etc. Addition ¥17.1 billion:

National Foods ¥10.6 billion (brand amortization ¥2.8 billion, amortization of consolidation difference ¥0.3 billion, "Goodwill" amortization ¥7.5 billion)

Kyowa Hakko Kogyo ¥5.8 billion (amortization of consolidation difference)

J. Boag & Son ¥0.6 billion (amortization of consolidation difference)

\*5 The figures are calculated, excluded gain on change in equity (¥75 billion) arising from the share exchange undertaken between Kirin Pharma and Kyowa Hakko Kogyo.

\*6 The figures are after amortization of ¥13.5 billion described in \*3 and excluded gain on change in equity (¥75 billion) arising from the share exchange undertaken between Kirin Pharma and Kyowa Hakko Kogyo.

## 2. Guide to Kirin Group Consolidated Management Indices

Guideline (¥ billions)		2007 Actual	2008 The first quarter Actual	2008 Initial Annual Forecast *1	2008 Annual Forecast *2
Sales by segment	Alcohol beverages	1,189.4	248.0	1,223.0	1,223.0
	Soft drinks and Foods	474.5	155.8	740.0	769.0
	Pharmaceuticals	69.9	10.6	75.0	175.0
	Others	67.2	15.6	62.0	233.0
Total sales	Including liquor tax	1,801.1	430.0	2,100.0	2,400.0
Total sales	Excluding liquor tax	1,400.6	356.4	1,686.0	1,986.0
Overseas ratio	Excluding liquor tax	19%	-	29%	26%

\*1 Incorporating Kyowa Hakko Kogyo as equity method affiliate from January to December

\*2 Incorporating Kyowa Hakko Kogyo as equity method affiliate from January to March, and as consolidated subsidiary for remainder of year

## 3. Results of operations by Major Companies (Consolidated)

### <The first Quarter Actual>

(¥ billions)					
	Sales	Operating income	Ordinary income	Net income	Consolidated Net income
Kirin Brewery (consolidated subsidiary) *1	166.8	1.2	-	-	-
Mercian (consolidated subsidiary)	20.6	(0.4)	(0.4)	(0.3)	(0.1)
Kirin Beverage (consolidated subsidiary)	80.4	(1.9)	-	-	-
National Foods (consolidated subsidiary)	59.5	1.4	-	-	-
Brand amortization*2		(0.7)	-	-	-
Amortization of goodwill *2*3		(1.9)	-	-	-
After adjustments of the above	59.5	(1.1)	-	-	-
Kirin Pharma (consolidated subsidiary) *1	9.1	(3.4)	-	-	-
Kyowa Hakko Kogyo (affiliated company) *4	94.4	6.9	5.2	(0.6)	* (0.1)
Equity in earnings of affiliates *			* (0.1)	(0.1)	(0.1)
Amortization of consolidation difference *5			(1.0)	(1.0)	(1.0)
After adjustments of the above			(1.2)	(1.2)	(1.2)

\*1 The amounts of Kirin Brewery and Kirin Pharma are non-consolidated.

\*2 Market value and others adapted to calculation of these figures are tentative.

\*3 Amortization of consolidation difference, "Goodwill" amortization

\*4 The amounts of Kyowa Hakko Kogyo are its consolidated actual results of the fourth quarter of fiscal year 2007 (January to March, 2008).

\*5 Account title: Equity in earnings of affiliates

<2008 Forecasts>

(¥ billions)

	Sales	Operating income	Ordinary income	Net income	Consolidated Net income
Kirin Brewery (consolidated subsidiary) *1	914.0	56.0	-	-	-
Mercian (consolidated subsidiary)	104.0	2.2	2.1	0.9	0.4
Lion Nathan (consolidated subsidiary) *2	186.8	44.3	35.6	26.8	12.3
Brand amortization		(6.8)	(6.8)	(6.8)	(3.1)
Amortization of goodwill *3		(3.8)	(3.8)	(3.8)	(3.1)
After adjustments of the above	186.8	33.6	24.8	16.0	6.0
Kirin Beverage (consolidated subsidiary)	450.0	15.9	-	-	-
National Foods (consolidated subsidiary)	211.1	13.5	-	-	-
Brand amortization*4		(2.8)	-	-	-
Amortization of goodwill *3*4		(7.8)	-	-	-
After adjustments of the above	211.1	2.9	-	-	-
Kyowa Hakko Kogyo and Kirin Pharma (consolidated subsidiary) *5	371.0	47.3	46.8	25.0	12.5
Elimination of amortization of goodwill for Kyowa Hakko Kogyo *6		7.1	7.1	7.1	3.5
Amortization of consolidation difference		(4.7)	(4.7)	(4.7)	(4.7)
After adjustments of the above	371.0	49.6	49.1	27.3	11.3
San Miguel (affiliated company) *7	590.9	45.3	38.7	28.6	* 5.7
Equity in earnings of affiliates *			* 5.7	5.7	5.7
Amortization of consolidation difference *8			(2.1)	(2.1)	(2.1)
After adjustments of the above			3.6	3.6	3.6

\*1 The amounts of Kirin Brewery are non-consolidated.

\*2 As for 2008 forecast of operation of Lion Nathan, the Company reclassified certain amount of non-operating income into special expenses in the consolidated statements of income. The above figures are presented after reclassification. Since Lion Nathan has not disclosed its forecast of business performance, the Company uses operating results in foreign currency for the year ended 2007 as the forecast for the year ending December 31, 2008.

\*3 Amortization of consolidation difference, "Goodwill" amortization

\*4 Market value and others adapted to calculation of these figures are tentative.

\*5 The forecast of Kyowa Hakko Kogyo (consolidated, including Kirin Pharma), contains only those from April to December 2008.

\*6 Amortization of goodwill generated according to the share exchange undertaken between Kyowa Hakko Kogyo and Kirin Pharma, which is posted as expense at Kyowa Hakko Kogyo (consolidated), has been eliminated at the settlement of Kirin Holdings on a consolidated basis.

\*7 San Miguel uses operating results in foreign currency from October 2006 to September 2007 as the forecast for the year ending December 31, 2008.

\*8 Account title: Equity in earnings of affiliates

#### 4. Sales Details of Domestic Alcohol Beverages (Kirin Brewery Company, Ltd.)

	2007				2008			
	The 1st quarter Actual		Annual Actual		The 1st quarter Actual		Annual Forecast	
Sales volume (year-on-year rate)	Thousand KL	Increase (Decrease)	Thousand KL	Increase (Decrease)	Thousand KL	Increase (Decrease)	Thousand KL	Increase (Decrease)
Beer	200	5.6%	1,001	(1.8%)	165	(17.5%)	944	(5.7%)
<i>Happo-shu</i>	171	(3.5%)	824	(4.9%)	167	(2.3%)	802	(2.7%)
New genre	88	(8.1%)	543	10.4%	108	22.7%	609	12.0%
Subtotal	460	(0.7%)	2,369	(0.4%)	440	(4.3%)	2,355	(0.6%)
RTD	34	(19.9%)	200	(12.5%)	36	5.9%	220	9.9%
Breakdown of sales (year-on-year rate)	¥ billions		¥ billions		¥ billions		¥ billions	
Beer	79.9	5.6%	402.5	(1.5%)	66.4	(16.9%)	389.0	(3.4%)
<i>Happo-shu</i>	50.5	(3.2%)	243.1	(4.8%)	50.2	(0.6%)	244.0	0.3%
New genre	22.6	(3.1%)	139.6	12.3%	28.1	24.3%	160.0	14.6%
Subtotal	153.1	1.2%	785.4	(0.4%)	144.8	(5.4%)	793.0	1.0%
RTD	9.6	(17.2%)	53.2	(11.9%)	9.6	0.0%	60.0	12.6%
Shochu, Whiskey, Spirits and Wines, etc.	7.4	(0.1%)	42.4	17.7%	10.4	40.5%	52.0	22.5%

The above sales volume and sales include exports.

## 5. Sales Details of Soft Drink Beverages (Kirin Beverage Group)

### <Category >

(10,000 cases)

Soft drink beverages			2007 The 1st quarter Actual		2008 The 1st quarter Actual				2008 Annual Forecast	
			Sales Volume	Composition ratio	Sales Volume	Composition ratio	Increase (Decrease)	Percentage over the previous year	Sales Volume	Composition ratio
Category	Tea drinks	Japanese Tea	622	16%	553	14%	(69)	89%	3,150	14%
		Oolong Tea	71	1%	71	1%	0	100%	350	2%
		Black tea	854	21%	761	19%	(93)	89%	3,900	17%
		Sub-total	1,547	38%	1,385	34%	(162)	90%	7,400	33%
	Functional drinks		117	2%	103	2%	(14)	88%	750	3%
	Coffee		824	21%	775	19%	(49)	94%	3,800	17%
	Fruit and vegetable juice		538	13%	556	14%	18	103%	3,000	13%
	Carbonated beverage		108	2%	144	4%	36	133%	1,000	4%
	Other		821	21%	888	22%	67	108%	5,970	26%
	Domestic soft drink beverage market total		3,955	97%	3,851	95%	(104)	97%	21,920	96%
Overseas markets	Overseas soft drink beverage market total		131	3%	209	5%	78	160%	980	4%
Total	Soft drink beverages total		4,086	100%	4,060	100%	(26)	99%	22,900	100%

### <Container Type >

(10,000 cases)

Soft drink beverages			2007 The 1st quarter Actual		2008 The 1st quarter Actual				2008 Annual Forecast	
Container Type	Category	Details	Sales Volume	Composition ratio	Sales Volume	Composition ratio	Increase (Decrease)	Percentage over the previous year	Sales Volume	Composition ratio
Cans	Can	Including bottle styled cans	976	24%	855	21%	(121)	88%	4,300	19%
PET Bottles	Large-sized PET Bottles	2L	707	18%	701	18%	(6)	99%	4,500	20%
		1.5L, 1L, 900ml, 750ml	300	7%	317	8%	17	106%	1,900	8%
		Large-sized PET Bottles total	1,007	25%	1,018	26%	11	101%	6,400	28%
	Small-sized PET Bottles	500ml	916	23%	907	22%	(9)	99%	6,100	27%
		350ml or less	557	13%	654	16%	97	117%	2,700	12%
		Small-sized PET Bottles total	1,473	36%	1,561	38%	88	106%	8,800	39%
	PET Bottles total		2,480	61%	2,579	64%	99	104%	15,200	67%
Other containers	One-way/Returnable bottles, paper, gifts, etc.		499	12%	417	10%	(82)	84%	2,420	10%
Overseas markets	Soft drink beverages total		131	3%	209	5%	78	160%	980	4%
All containers	Container total		4,086	100%	4,060	100%	(26)	99%	22,900	100%

## 6. Sales Details of Pharmaceuticals (KYOWA HAKKO KOGYO CO., LTD. and Kirin Pharma Company, Ltd.)

(¥ billions)

	2007		2008	
	The 1st quarter Actual	Annual Actual	The 1st quarter Actual	Annual Forecast
ESPO <sup>®</sup> / NESP <sup>®</sup>	8.8	44.9	5.4	41.0
GRAN <sup>®</sup> / Neu-up <sup>®</sup>	2.7	14.8	2.1	16.0
Coniel <sup>®</sup>	-	-	-	17.6
Allelock <sup>®</sup>	-	-	-	15.6
REGPARA <sup>®</sup>	-	-	0.5	5.5
Patanol <sup>®</sup>	-	-	-	2.6
Topina <sup>®</sup>	-	-	-	0.8

Actual and forecast amounts are based on domestic settlement price except for rebates.

The amounts for the first quarter of fiscal 2007 (actual), the fiscal 2007 (annual actual) and the first quarter of fiscal 2008 (actual) shown above are the actual results of operation of Kirin Pharma (including foreign subsidiaries). The annual forecast for fiscal 2008 is those of Kyowa Hakko Kogyo (consolidated, including Kirin Pharma).