

# 2008 Results Presentation Fiscal year ended December 31, 2008

February 10, 2009



Kirin Holdings Company, Limited

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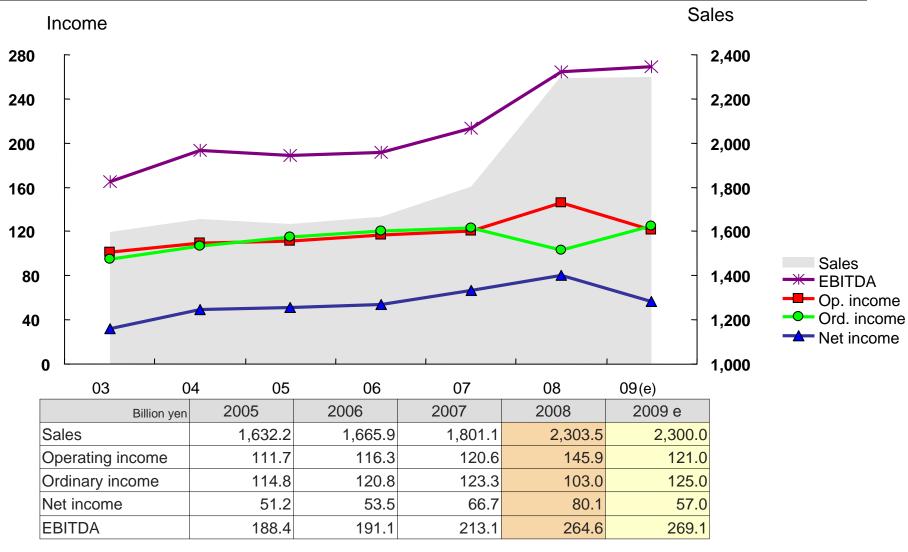
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**Results Overview 2008** 

### **Performance trends**



### Consolidated sales, operating income and EBITDA increased significantly in 2008

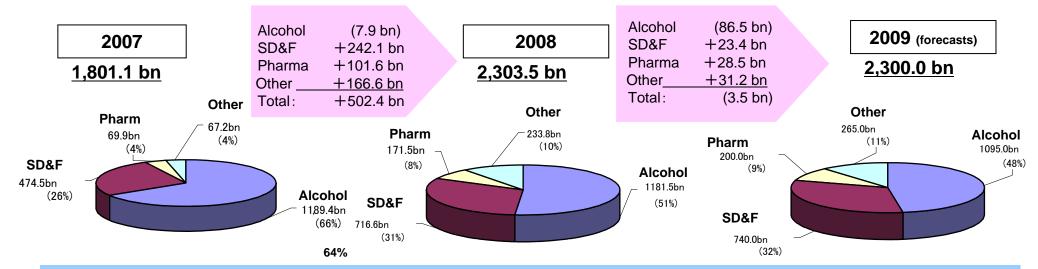


EBITDA: Earnings before income interest, tax, depreciation and amortization

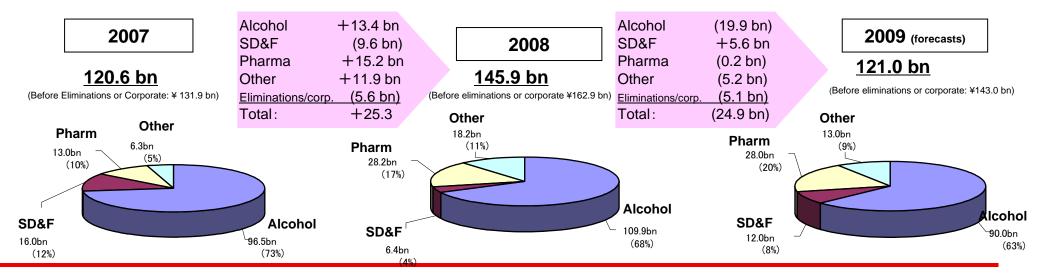
# Consolidated sales and operating income by segment (2007⇒2008⇒2009 forecasts)



■ Sales: Significant growth in Soft Drinks & Foods and Pharmaceuticals during 2008 with expanded scope of consolidation



### ■ Operating income: Up significantly in 2008 but exchange rates to negatively influence 2009



### 2008 consolidated review



- Achieved quantitative expansion, increasing corporate scale through business & capital alliances, etc.
   Met Q3 operating income target in a tough environment, supported by contribution from Group's foundation business Kirin Brewery
- Achieved record-high full-year operating income, supported by evolution of business portfolio

Billions of yen	2008 results	YoY change in %	YoY change in yen	2007 results	Initial 2008 plan	2008 revised at 3Q	Percentage achieved*
Net sales	2,303.5	+27.9	+502.4	1,801.1	2,100.0	2,320.0	99.3%
Operating income	145.9	+21.0	+25.3	120.6	133.0	145.0	100.6%
Ordinary income	103.0	(16.5)	(20.3)	123.3	124.0	118.0	87.3%
Net income	80.1	+20.2	+13.4	66.7	57.0	104.0	77.1%

**Net sales** 

• Increased due to consolidation of National Foods Limited (Australia), Kyowa Hakko Kirin Co., Ltd., strong performance of overseas alcohol beverage business, etc.

Operating income

• Increased—despite rising raw materials prices in Japan and overseas and weakening consumer sentiment—supported by strong performance overseas, the consolidation of Kyowa Hakko Kirin Co., Ltd., group-wide cost reductions, etc.

Ordinary income

• Decreased due to foreign currency translation losses due to sharp appreciation of the yen against the Australian dollar, and higher interest payments

**Net income** 

• Increased due to extraordinary income arising from share exchange between Kyowa Hakko Kirin Co., Ltd, and Kirin Pharma Company Limited

# Alcohol beverages segment: 2008 results



# Alcohol beverages

(billion yen)	2008 results	2007 results	Change in %	Change in yen
Consolidated sales	1,181.5	1,189.4	(0.7%)	(7.9)
Operating income	109.9	96,5	+13.9%	+13.4

Operating income is before eliminations

#### Kirin Brewery: Sales down, earnings up

- Achieved earnings target amid dramatically worsening environment
- · Revised B,H, NG prices in February
- · Significantly cut sales and marketing expenses
- Good performance in new genre and happo-shu

#### Mercian: Sales down, earnings up

- Industry wine sales estimated ±0%
   Mercian wine sales up 5%
- Good sales of daily wines through collaboration with Kirin Merchandizing
- Profit structure improving with revised pricing approach

#### Lion Nathan: Sales and earnings up

- Sales at LN +6.5% (local currency base)
- Good progress in shift to premium beer
- Sales boosted by premium brewery J. Boag
- Stable exchange rate through September 97.38 yen (compared to 96.72 yen in 2007)

#### China

- ·Sales volumes lower year on year
- Negative impact of competition, steep rise in input costs, weaker economy

### Key changes in 2008 cf. 2007

(¥ billions)

Segment	Company Name	Major factors	Difference	Description
Alcohol beverages	Kirin Brewery	Increase in marginal profit of alcohol beverages	7.7	Sales decrease in beer (133) thousand KL, (15.3) Sales decrease in happo-shu (12) thousand KL, (1.2) Sales increase in new genre 62 thousand KL, 6.8 Sales increase in RTD 3 thousand KL, 0.5 Decrease in marginal profit of shochu, whiskey, spirits and wines (0.5) Increase due to revision of prices and difference of change in products mix, etc.
		Cost reduction	1.8	Energy reduction 0.6, etc.
		Increase in raw material cost of alcohol beverages	(9.9)	Increase in price for packing materials (3.0) Increase in price of sugar and liquid sugar (2.9) Increase in price of malt (2.5), etc.
		Decrease in selling cost	9.4	Decrease in sales promotion and advertising expenses 8.3; beer, happo-shu and new genre 7.5, RTD 0.2, shochu, whiskey, spirits and wines 0.5, etc. Decrease in transportation cost 1.0, etc.
		Increase in other expenses	(5.3)	Increase in depreciation (3.2) Increase in electric cost and fuel cost (1.9) Increase in repair expenses (0.2), etc.
	Total		3.7	
	Lion Nathan *1	Increase in operating income	3.4	45.1 => 48.5
		Amortization of goodwill	(1.2)	(4.0) => (5.2)
		Brand amortization	(0.5)	(6.9) => (7.4)
	Total		1.7	
	Mercian		0.3	(0.3) => (0.0)
	Effect of organization	onal change	6.4	*2
	Others		1.3	
Total			13.4	FY2007 Actual 96.5 => FY2008 Actual 109.9

## Soft drinks and Foods: 2008 results



### Soft drinks and Foods

(billion yen)	2008 results	2007 results	Change in %	Change in yen
Consolidated sales	716.6	474.5	+51.0%	+242.1
Operating income	6.4	16.0	(59.9%)	(9.6)

Operating income is before eliminations

#### Kirin Beverage: Sales up, earnings down (consol., incl. overseas)

- Better container mix (shift to profit focus)
- A&P expenses up 3.5%

(impact of brand investment and weaker channel mix)

•Made progress in HR exchanges and vending machine initiatives with Kirin Brewery

#### Kirin Food-Tech

· Established Kirin Food-Tech Shanghai Co., Ltd. in China

#### **Kyowa Hakko Food Specialties**

 Sales down, impacted by high input costs and weaker demand for processed foods

#### Kirin Yakult Next Stage

Transferring to Yakult Honsha

#### Kirin Beverage

- Sales volumes up 13%
- Further growth of 500ml PET bottle Kirin Gogono-Kocha Milk Tea in Shanghai

#### National Foods: Sales up, earnings down

- Sales volumes up 2%
- · High milk costs hit margins but this stabilized in 2H
- Steady price revisions Consolidated Dairy Farmers in December

#### **CCNNE: Sales and earnings both up**

• Trending favorably. Negative impact of yen appreciation on consolidation

### Key changes in 2008 cf. 2007

	Major factors		Description
Kirin Beverag	e Difference in volume of sales	1.8	Increase in sales volume 1.69 million cases
	Cost reduction	1.0	Improvement of production efficiency at its own factories, etc.
	Increase in raw material cost	(3.2)	
	Decrease in change of composition ratio of containers, etc.	(0.1)	
	Increase in selling cost	(4.7)	Increase in sales promotion and advertising expenses (4.2) (Including influence of new consolidation (1.3), etc.) Increase in transportation cost (0.5),etc
	Increase in other expenses	(3.7)	Increase in depreciation cost and sales equipment cost due to increase in vending machine input (0.6) Increase in information processing fee (0.8) Increase in R&D expenses (0.2) Influence of new consolidation (1.9), etc.
Total	•	(8.9)	
National Food	Increase in operating income	8.1	0.0 => 8.1
	Amortization of goodwill	(6.8)	0.0 => (6.8) *3
	Brand amortization	(2.7)	0.0 => (2.7) *3
Total	•	(1.4)	
Kyowa Hakko	Kirin Foods	0.9	0.0 => 0.9
Others		(0.2)	
•	·	(9.6)	FY2007 Actual 16.0 => FY2008 Actual 6.4 *4

# Pharmaceuticals segment: 2008 results



Operating income is before eliminations

#### **Pharmaceuticals**

# (billion yen) 2008 results 2007 results Change in % Change in yen Consolidated sales 171.5 69.9 +145.3% +101.6 Operating income 28.2 13.0 +116.9% +15.2

#### **Kyowa Hakko Kirin**

- ※Kyowa Hakko consol. from 4/2008 (merged as Kyowa Hakko Kirin from 10/2008)
- Sales of core products
   Good sales of ALLELOCK, Patanol, etc.
   Good progress on COVERSYL since April launch
   Targeting higher market share for NESP/ESPO
- Development
   Applied for new NESP indications (mainentance;
   cancer chemotherapy)
- Licensing
   Secured rights for RNAi therapy development
   and joint marketing of cancer pain analgesic;
   Out-licensed Potelligent antibody KW-0761 to
   U.S. Amgen

# Overseas

#### Kyowa Hakko Kirin

- Asian entities
- -Major sales increase YoY on local currency basis
- Combined exchange rate impact on 6 o'seas companies meant only slight increase in consolidated sales (¥8.3 bn in 2008)
- Applied for NESP and other drug approvals in each location

Segment	Major factors	Difference	Description
Pharmaceuticals	Kyowa Hakko Kirin *5	14.8	Increase in gross profit 73.5 Increase in R&D expenses (20.2) Increase in other expenses (34.0) Amortization of goodwill (4.5)
	Effect of organizational change	0.4	*2
Total		15.2	FY2007 Actual 13.0 => FY2008 Actual 28.2

Key changes in 2

# Other business segment: 2008 results



Other

(billion yen)	2008 results	2007 results	Change in %	Change in yen
Consolidated sales	233.8	67.2	+247.9%	+166.6
Operating income	18.2	6.3	+188.8%	+11.9

Operating income is before eliminations

Kyowa Hakko Bio Co., Ltd.

·Sales of amino acids for medical and industrial use trended favorably but sudden yen appreciation resulted in only minimal increase in sales

- Kyowa Hakko Chemical Co., Ltd. Revenues remain at the same level with 2007
- •Global demand dropped suddenly from autumn; collapse in oil, naphtha prices hit product market

Agribio: Sales down, earnings up

Steady performance at overseas subsidiaries but imports, oil prices and other factors impacted domestic operations

#### Key changes in 2008 cf. 2007

Segment	Major factors	Difference	Description
Others	Kyowa Hakko Kirin Biochemical	7.4	0.0 => 7.4
	Kyowa Hakko Kirin Chemicals	3.5	0.0 => 3.5
	Others	1.0	
Total		11.9	FY2007 Actual 6.3 => FY2008 Actual 18.2 *4

# Profit breakdown (Ordinary income and net income)



# Ordinary income

Non-operating income and	Financial profit (loss), net	(11.1)	(5.3) => (16.4)
expenses	Equity in earnings of affiliates	1.5	San Miguel 1.1 (Including elimination of unrealized gain on sale of investment securities (4.3)), Kyowa Hakko Kogyo(1.2) (Including amortization of consolidation difference (1.0)), etc.
	Foreign currency transaction loss	(36.5)	(0.7) => (37.2)
	Others	0.5	
Total		(45.6)	
Decrease in ordina	ary income	(20.3)	FY2007 Actual 123.3 => FY2008 Actual 103.0

# Net income

Special income and expenses	Gain on sale of fixed assets	(8.7)	
and expenses	Gain on change in equity	72.6	Share exchange with Kyowa Hakko Kogyo
	Compensation for expropriation	9.5	
	Loss on devaluation of investment securities	(5.6)	
	Loss on liquidation of business	(2.7)	
	Expenses for integration	(4.6)	Integration of Kyowa Hakko Kogyo and Kirin Pharma,
	Others	(2.9)	etc.
			Amortization of goodwill (1.5), etc.
Total		57.6	
Income taxes	Income taxes	(16.1)	
and minority interests	Income taxes for prior years	(2.0)	Lion Nathan
	Minority interests	(5.8)	
Total		(23.9)	
Increase in net inc	ome	13.4	FY2007 Actual 66.7 => FY2008 Actual 80.1

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# **Exchange rate for overseas companies**



Exchange rate for overseas company	2007	2008
Lion Nathan (AUD)	96.72yen	97.38yen
National Foods (AUD)	99.01yen	88.00yen
San Miguel (PHP)	2.51yen	2.50yen

Exchange rate for overseas company	2008	2009 Forecast
Lion Nathan (AUD)	97.38yen	62.00yen
National Foods (AUD)	88.00yen	62.00yen
San Miguel (PHP)	2.50yen	2.00yen

# **Major fluctuations of balance sheets**



(¥ billions)

				(¥ billions)	
	2007 Actual	2008 Actual	Increase (Decrease)	Reference	
ASSETS					
Current Assets					
Notes and accounts receivable, trade	361.1	446.6	85.5	Increase due to addition of newly consolidated subsidiaries *1, etc.	
Other (excluding notes and accounts receivable, trade)	273.5	379.5	106.0	Increase due to addition of newly consolidated subsidiaries *1, etc.	
Fixed Assets					
Property, Plant and Equipment					
Total Property, plant and equipment	635.9	791.3	155.4	Increase due to addition of newly consolidated subsidiaries *1, etc.	
Intangible Assets	•				
Goodwill	258.7	343.9	85.2	Increase due to addition of newly consolidated subsidiaries *1, etc.	
Other	128.1	105.4	(22.7)	Decrease due to influence of exchange rate fluctuations at consolidated subsidiaries in Australia, etc	
Investments and Other Assets	•				
Investment securities	712.2	425.3	(286.9)	Decrease in shares of affiliated companies held by Kirin Holdings and decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc.	
Other	57.8	87.1	29.3	Increase in currency swap of Kirin Holdings *2, etc.	

# **Major fluctuations of balance sheets**



LIABILITIES				
Current Liabilities				
Notes and accounts payable, trade	139.2	189.5		Increase due to addition of newly consolidated subsidiaries *1, etc.
Short-term loans payable and long-term debt with current maturities	404.7	119.1	(285.6)	Decrease at Kirin Holdings, etc.
Bonds due to within one year	-	44.1	44.1	Increase at Kirin Holdings, etc.
·	-			(¥ billions)
	2007 Actual	2008 Actual	Increase (Decrease)	Reference
Long-term Liabilities				
Bonds	92.8	242.8	150.0	Increase due to issue of bonds at Kirin Holdings, etc.
Long-term debt	112.2	257.7	145.5	Increase at Kirin Holdings, etc.
Deferred tax liabilities	88.3	55.7	(32.6)	Increase due to addition of newly consolidated subsidiaries *1 and decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc.
Employees' pension and retirement benefits	60.1	82.7	22.6	Increase due to addition of newly consolidated subsidiaries *1, etc.
NET ASSETS				
Net unrealized holding gains on securities	124.7	37.4	(87.3)	Decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc.
Foreign currency translation adjustments	7.6	(88.7)	(96.3)	Decrease due to yen appreciation, etc.
Minority interests	44.7	222.0	177.3	Increase due to addition of newly consolidated subsidiaries *1, etc.

# **2009 Forecasts**

## 2009 consolidated forecast



#### • Emphasize qualitative (profitability) expansion:

Although exchange rates and changes to accounting policy will have an effect on earnings, we will aim to steadily reinforce our earnings base by creating cost synergies, reducing marketing and administrative expenses, and other such measures.

Billions of yen	2009 target	YoY change in %	YoY change in yen	Revised business plan 2009 target	2008 results
Net sales	2,300.0	(0.2)	(3.5)	2,500.0	2,303.5
Operating income	121.0	(17.1)	(24.9)	175.0	145.9
Ordinary income	125.0	+21.3	+22.0	_	103.0
Net income	57.0	(28.9)	(23.1)	-	80.1

Operating income 2009 target is ¥24.9 bn lower than 2008 results due to the following factors:

- Overseas subsidiary translation losses : approx. ¥16.0 bn (mainly Lion Nathan-related)
- Changes to accounting policy: approx. ¥10.0 bn in depreciation and amortization costs due to changes in the depreciation period of Kirin Brewery facilities
- Increase in cost of raw materials at main operating companies: approx. ¥2.5 bn (Kirin Brewery); approx. ¥3.0 bn (Kirin Beverage)
- Reduction in sales and advertising expenses: Kirin Brewery ¥4.9 bn

Main reasons for ¥54.0 bn gap between consolidated operating income target of ¥175.0 bn in revised mid-term business plan and 2009 target of ¥121.0 bn:

- Overseas subsidiary translation losses: approx. ¥16.0 bn (mainly Lion Nathan)
- Kyowa Hakko Kirin: approx. ¥20.0 bn (pharmaceuticals: ¥10.0 bn; biochemicals & chemicals ¥10.0 bn)
- · Higher raw milk costs in Australian dairy business, Daily Farmers acquisition, etc.: approx. ¥6.0 bn
- Domestic beverages: approx. ¥4.0 bn volume, containers (negative effect), promotion/advertising cost reduction (positive effect), etc.

# Alcohol beverages: 2009 forecasts and plans



**Alcohol beverages** 

(billion yen)	2009 forecasts	2008 results	Change in %	Change in yen
Consolidated sales	1,095.0	1,181.5	(7.3%)	(86.5)
Consolidated operating income	90,0	109.9	(18.2%)	(19.9)

Operating income is before eliminations

### Japan

#### **Kirin Brewery**

- B, H, NG sales volume target of minus 0.5%
- · Promote evidence-marketing (clarify value & function)
- Core products: •Renew Ichiban Shibori, Kirin Tanrei Nama Boost Nodogoshi Nama
- <u>Health consciousness:</u> Launch Kirin W (Purines cut 99%, with polyphenols)
- Overall demand: Launch Kirin Free with 0.00% alcohol
- ·Target specific synergies in each value chain

#### Mercian

- · Target 2% increase in wine sales volume
- Boost Mercian brand; continue to improve earnings structure

#### **Overseas**

#### <u>Pursue comprehensive beverages strategy focusing on Asia and</u> Oceania

#### China

· Manage development through Kirin (China) Investments

#### **Lion Nathan**

 Leverage enhanced brand and infrastructure base from past 3 years' investment to pursue long-term growth

#### San Miguel

·Strengthen strategic alliance

### Key changes in 2009 cf. 2008

(¥ billions)

Company Name	Major factors	Difference	Description
Kirin Brewery	Increase in marginal profit of alcohol beverages	2.1	Sales decrease in beer (65) thousand KL, (7.7) Sales decrease in happo-shu (21) thousand KL, (2.1) Sales increase in new genre 74 thousand KL, 8.1 Sales increase in RTD 19 thousand KL, 1.9 Sales increase in beer-taste beverages 0.8, Increase in marginal profit of shochu, whiskey and spirits 0.2 Increase due to revision of prices and difference of change in products mix, etc.
	Cost reduction	0.2	Energy reduction 0.2, etc
	Increase in raw material cost of alcohol beverages	(2.5)	Increase in cost of malt Increase in price for packing materials, etc.
	Decrease in selling cost	6.2	Decrease in sales promotion and advertising expenses 4.9 Decrease in transportation cost 1.2, etc.
	Increase in other expenses	(11.7)	Increase in depreciation (6.8) Increase in information processing fee (0.7) Increase in electric cost and fuel cost (0.7), etc.
Total		(5.7)	
Lion Nathan *1		(14.2)	Translation difference, etc.
Others		0.0	Mercian 1.2, etc.
		(19.9)	FY2008 Actual 109.9 => FY2009 Forecast 90.0

# Soft drinks and foods: 2009 forecasts and plans



Soft drinks and foods

(billion yen)	2009 forecasts	2008 results	Change in %	Change in yen
Consolidated sales	740.0	716.6	+3.3%	23.4
Consolidated operating income	12.0	6.4	+86.6%	5.6

Difference in volume of

Kirin Beverage

Operating income is before eliminations

Increase in sales volume 5.85 million cases

### Japan

#### Kirin Beverage

- Target sales volume: +1%
- Revenue base: Manage S&M costs; improve productivity, fully reform cost management (change sales division structure)
- Compete along new axes Further refine research mktg, boost R&D structure
- Deepen alliance with Kirin Brewery
- •Pursue M&A, alliances for leap in growth

#### Kirin Kyowa Foods (from 04/2009)

•Establish sound organizational structure and rapidly achieve integration benefits, aiming to boost market presence in the food materials industry

#### **Overseas**

#### Kirin Beverage

- China: Pursue comprehensive beverages group strategy
- Vietnam: Commence production from second half
- · Thailand: Expand portfolio in new categories

#### **National Foods**

- •Begin specific integration measures with Dairy Farmers
- •Reduce costs by integrating production, procurement, etc.
- Establish strong brand portfolio in all dairy categories

#### Key changes in 2009 cf. 2008

6.4

	sales		
	Cost reduction	2.2	Improvement of production efficiency at its own factories, etc.
	Increase in raw material cost	(3.0)	
	Increase in change of composition ratio of containers, etc.	1.9	
	Increase in selling cost	(0.3)	Increase in sales promotion and advertising expenses (0.5) (Including influence of new consolidation (0.9), etc.)  Decrease in transportation cost 0.2, etc.
	Increase in other expenses	(4.1)	Increase in labor cost (1.2) Increase in R&D expenses (0.6) Increase in depreciation cost and sales equipment cost due to increase in vending machine input (0.5) Increase in information processing fee (0.2) Influence of new consolidation (0.9), etc.
Total		3.1	
National Foods*2	Decrease in operating income	(1.7)	8.1 => 6.4
	Amortization of goodwill	0.4	(6.8) => (6.4)
	Brand amortization	0.7	(2.7) => (2.0)
Total		(0.6)	
Others		3.1	
		5.6	FY2008 Actual 6.4 => FY2009 Forecast 12.0

# Pharmaceuticals segment: 2009 forecasts and plans



Operating income is before eliminations

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_							

(billion yen)	2009 forecasts	2008 results	Change in %	Change in yen
Consolidated sales	200.0	171.5	+16.6%	+28.5
Consolidated operating income	28.0	28.2	(0.7%)	(0.2)

#### **Domestic**

#### **Kyowa Hakko Kirin**

Expand integration synergies

R&D: Pursue further efficient research in highly-active human antibodies as well as small molecule medicines

**Production:** Continue construction of plant for trial antibody medicines

Sales: Continue activities to grow anemia products

NESP and ESPO, antiallergic ALLELOCK,
antiallergic eye drop Patanol, and secondary
hyperparathyroidism drug REGPARA TABLETS

#### **Overseas**

#### Kyowa Hakko Kirin

- •Reorganize U.S. R&D locations by function; improve management efficiency
  - Focus development functions in Kyowa Hakko Kirin
     Pharma
  - -Focus R&D functions in Kyowa Hakko Kirin California
  - -Focus licensing business in Biowa
- ·Progress development stage overseas
  - -ASKP1240 (jointly with Astellas ) and KRN23 to Ph. I in the U.S. (both January)
  - Planned Ph. 1 in the U.S. during 2009 for KW-0761

#### Key changes in 2009 cf. 2008

Segment	Major factors	Difference	Description
Pharmaceuticals	Kyowa Hakko Kirin	(0.2)	Increase in gross profit 16.3 Increase in R&D expenses (6.0) Increase in other expenses (9.1) Amortization of goodwill (1.4)
Total		(0.2)	FY2008 Actual 28.2 => FY2009 Forecast 28.0

# Other segment: 2009 forecasts and plan



### Other

(billion yen)	2009 forecasts	2008 results	Change in %	Change in yen
Consolidated sales	265.0	233.8	+13.3%	+31.2
Consolidated operating income	13.0	18.2	(28.9%)	(5.2)

Operating income is before eliminations

#### Kyowa Hakko Bio Co., Ltd.

•Continue to develop business in growth area of amino acids for infusions and medical materials market, while aware of global economic slowdown

#### Kyowa Hakko Chemical Co., Ltd.

- ·Pursue ongoing business in tough operating environment
- •Strengthen existing core products while developing further stable earnings sources from distinctive new functional products (e.g. environment-related products)

#### **Agribio**

•Focus on domestic seedlings business, review existing product range and pursue strong new varieties

#### Key changes in 2009 cf. 2008

Segment	Major factors	Difference	Description
Others	Kyowa Hakko Kirin Biochemical	(3.2)	7.4 => 4.2
	Kyowa Hakko Kirin Chemicals	(2.2)	3.5 => 1.3
	Others	0.2	
Total		(5.2)	FY2008 Actual 18.2 => FY2009 Forecast 13.0

# Profit breakdown for 2009 forecast (Ordinary income and net income)



Non-operating income and	Financial profit (loss), net	5.4	(16.4) => (11.0)
expenses	Equity in earnings of affiliates	2.3	San Miguel 2.0 *3 (Including elimination of unrealized gain on sale of investment securities for prior years 4.3)  Kyowa Hakko Kogyo 1.2 (Including amortization of consolidation difference for prior years 1.0)  Kirin-Amgen (1.5), etc.
	Foreign currency transaction loss for prior years	37.2	
	Others	2.0	
Total		46.9	
Increase in ordina	ry income	22.0	FY2008 Actual 103.0 => FY2009 Forecast 125.0
Special income	Gain on change in equity for prior years	(72.6)	Share exchange with Kyowa Hakko Kogyo
and expenses	Compensation for expropriation for prior years	(9.5)	
	Loss on devaluation of investment securities for prior years	5.6	
	Loss on liquidation of business for prior years	2.7	
	Others	25.2	
Total		(48.6)	
Income taxes	Income taxes	3.7	
and minority interests	Minority interests	(0.2)	(17.1) => (17.3)
Total		3.5	
Decrease in net in	come	(23.1)	FY2008 Actual 80.1 => FY2009 Forecast 57.0

# 2009 financial strategy: Management from shareholders' perspective and improving capital efficiency



We will continue efforts to maximize corporate value, considering shareholders' perspectives while pursuing a financial strategy to realize a quantum leap in growth

### Cash flow

Aim to generate approx. ¥143 bn in operating cash flow in 2008
 ⇒ Use for capex, dividends, repayment of bonds and borrowings

# **Investment plan**

Invest to achieve a new growth trajectory

⇒ Assess each opportunity individually rather than setting fixed parameters

Planned capex in 2009 of ¥120 bn (2008 actual was ¥126 bn)

### Dividends: Continue stable payments

2008 dividend forecast of ¥ 23 (increased dividend ¥ 2)

2009 dividend forecast of ¥23

Adjusted consolidated payout ratio → after adjustments for goodwill, etc. arising from strategic investments to achieve quantum leap in growth, guideline adjusted payout ratio will be 30% or more

# Returns to shareholders

Share buybacks: Consider share buybacks to reinforce financials

### **Funding**

- ·· Continue to free up capital through sale of securities, real estate, etc.
- → reduce total assets
- Use interest-bearing debt as primary funding method for business investment
   Continue reviewing D/E ratio from balanced point of view aim to maintain the 0.5
   guideline contained in medium-term business plan but allow 1.0 on temporary basis)

**Appendix** 



# National Foods 2008 full year results and 2009 full year forecasts

\*As disclosed in Kirin Holdings' consolidated financial statement

	2008 actual	Converted to	2009	Converted to
	results	yen	forecast	yen
	(\$A million)	(¥ billion)*	(\$A million)	(¥ billion)*
Net sales	2,414	212.4	3,487	216.2
National Foods	2,280		2,381	
Dairy Farmers	134		1,106	
EBIT (operating income)	92	8.1	104	6.4
National Foods	86		110	
Dairy Farmers	6		-6	
EBITDA (includes restructuring costs)	103	9.1	142	8.8
Depreciation expense	44		72	
Integration cost (restructuring costs)	-34		-34	

#### Notes

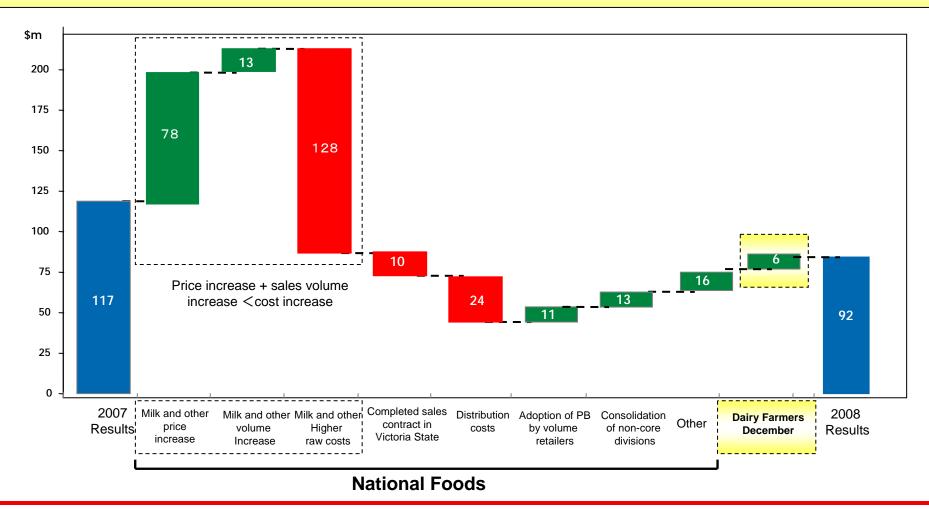
- 2008 figures for Dairy Farmers are December figures only
- Breakdown of 2009 EBIT figures (operating income) A\$: Existing businesses 6 / Integration synergies 32 / Decreased income on sale of business -44
- The above are consolidated figures from Kirin, EBIT does not include restructuring costs (included in EBITDA)

### National Foods analysis of operating income (EBIT): 2007 results vs. 2008 results



- Major increase in milk costs from 2007 H2 on had larger than anticipated impact

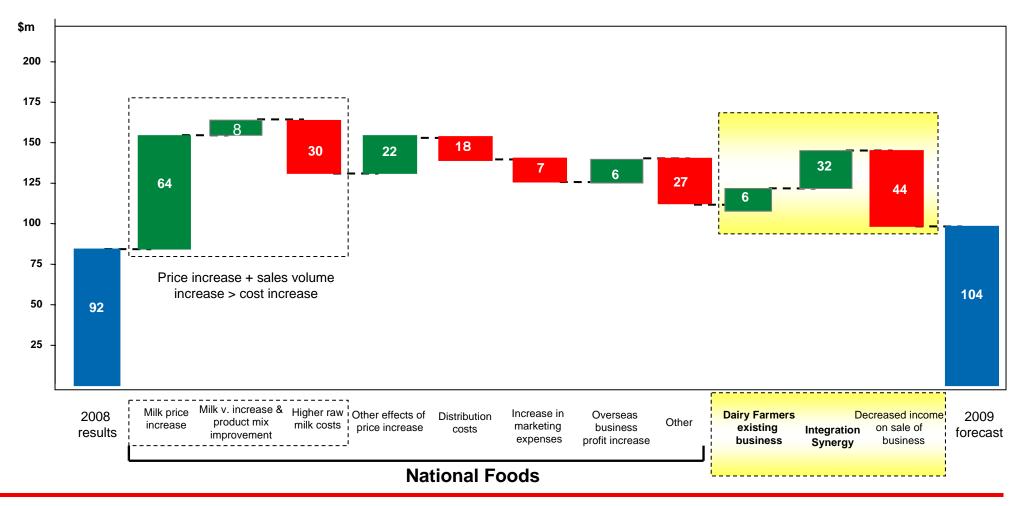
  Upward price revisions (four times), mainly for milk; however due to a consumer shift to lower priced products caused by deteriorating economic conditions, these failed to offset higher costs
- Major increases in distribution costs due to high fuel costs; cost reduction by streamlining related divisions was not sufficient to cover these costs



# National Foods analysis of operating income (EBIT): 2008 results vs. 2009 forecast



- Forecasting a A\$30m rise in raw milk cost from existing contracts despite milk price increases continuing to ease
- In response to the above, we aim to boost results through pro-active sales activities to strengthen the brand, by raising the price of NB and PB, growth in overseas businesses, etc.



# National Foods 2008 results review by segment\*



	2008	2007	Change	Comment
	Tota	ıl		(Volume in million liters sales in AU\$ million)
Sales volume	1,495	1,467	28	
Net sales	2,124	2,006	118	
	Mill	<b>(</b>		Revised prices in effort to offset high milk cost and distribution costs
Sales volume	864	815	49	→Consumption patterns shift to low er priced PB results,
Net sales	973	895	78	causing substantial decline in profitablity
-				Completed acquisition of Dairy Farmers in November
	Juic	е		
Sales volume	443	476	-33	<ul> <li>Revised prices and adjusted PB contracts at low -margin volume outlets</li> </ul>
Net sales	497	510	-13	<ul> <li>How ever price competition and shift to low er priced products lead to</li> </ul>
				w orsening mix $\rightarrow$ Sales volume, net sales, and profitability fell short of
				the previous year
	Dair	у		
Sales volume	84	64	20	<ul> <li>New flavors boosted sale of diet products and snack category products</li> </ul>
Net sales	276	212	64	<ul> <li>New sales increased substantially due to the effect of price increases</li> </ul>
	Cheese & C	Sourmet		<ul> <li>Revised prices in effort to offset high milk cost and distribution costs,</li> </ul>
Sales volume	22	26	-4	but consumption patterns shifted to lower price brackets, resulting in
Net sales	226	247	-21	lower net sales and sales volumes
				Bought Hillwood; sold smoked salmon business
Inter	national and	New Zeala	nd	
Sales volume	82	86	-4	In South East Asia, shift to high-margin brand products and strong
Net sales	152	142	10	exports contributed to sales resulting in favorable performance
				-Strong sales of cream despite melamine scare

<sup>\*</sup>Accounting basis

# National Foods 2009 forecast by segment (excluding Dairy Farmers) KIRIN



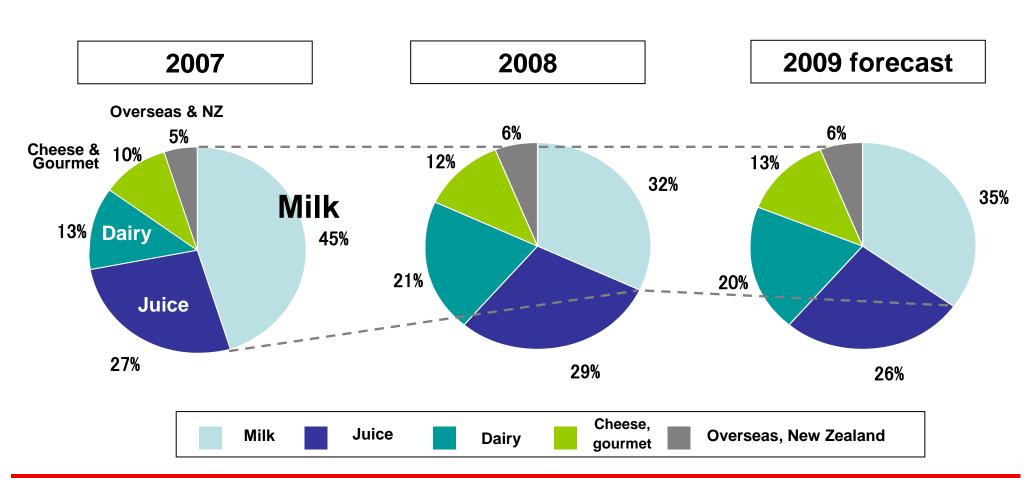
	2009	2008	Change	Comment
	To	tal		(Volume in million liters, sales in \$A)
Sales volume	1,487	1,495	- 8	
Net sales	2,226	2,124	102	
	Mi	lk		Impact of milk costs remain but through PB and NB price rises
Sales volume	891	864	27	targeting earnings impvmt.
Net sales	1,030	973	57	<ul> <li>Earnings boost from mktg cost control and enhanced negotiating power from DF</li> </ul>
	1			
	Jui		(00)	
Sales volume	415	443	(28)	•Targeting higher share from grocery price optimazation and marketing activities
Net sales	504	497	/	•Pursue long-term fostering of Berri as master brand. Enhance lineup with
	-			new products.
	Da	1		
Sales volume	85	84	1	•Pursue further growth of diet products and relaunches in children's market; increase
Net sales	287	276	11	volumes and raise prices to increase sales
	Cheese &	Gourmet		
Sales volume	18	22	(4)	<ul> <li>Aim for high margin business through price rises and demand/supply management.</li> </ul>
Net sales	231	226	5	<ul> <li>Obtain contribution from fetta cheese Hillwood acquisition of last year</li> </ul>
				and introduction of new products
Int	ernational ar	nd New Zeala	nd	
Sales volume	79	82	(3)	•Aim for major growth with milk cost easing and lower Aussie dollar.
Net sales	174	152	22	Focus on branded product exports, expanding market with new products

\*Accounting basis



### Contribution to earnings by segment (brand contribution)

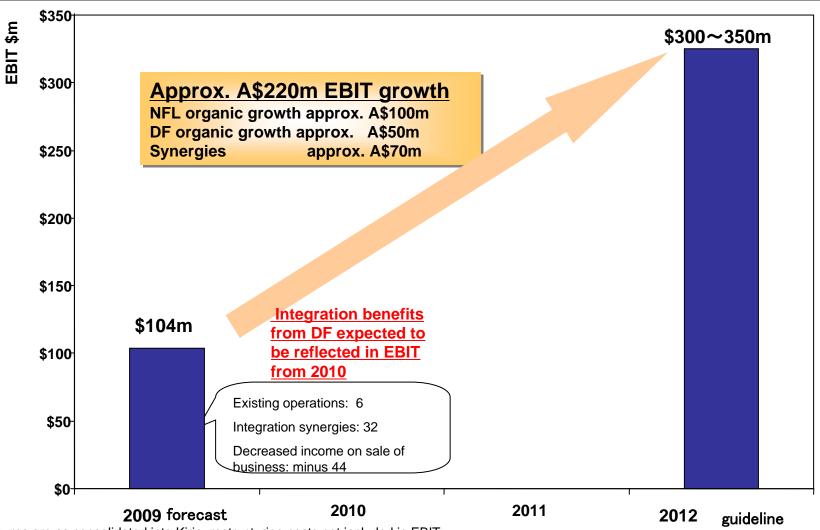
- 2008 first half: Higher milk costs reduced contribution from milk segment to 26% 2008 full year: Milk segment recovered to 32%, aided by price rises
- 2009 outlook: Aiming for further milk segment recovery (figures are exclusive of DF)



# National Foods: EBIT growth image



■ Estimated 2012 EBIT of \$300-350m based on organic growth and synergies between National Foods and Dairy Farmers



### **Lion Nathan results overview**



2008 Full year results (Oct. 2007 - Sep. 2008) Unit: A\$ million

Highlights: Income increased for 9<sup>th</sup> consecutive year as the Australian Beer business raised prices and shifted towards premium products; higher input costs and increased depreciation expenses covered by acquisition of J. Boag

■ Net sales: 2,094.2 (up 6.5%)

<u>Australian Beer Business</u>: Sales increased 11.3% with overall growth with 9 months of J. Boag sales contributing to results and steady progress made in increased pricing and the shift to premium products

New Zealand Business: Sales were down about 1.5% as beer sales increased and sales from liquor manufacturing outsource div. decreased Wine Business: Sales increased 5.5% despite severe operating environment marked by an excess supply of grapes and other factors

■ EBIT: 507.0 (up 7.3%)\* \*Excluding extraordinary income

<u>Australian Beer Business</u>: Steady overall growth despite increases in raw material prices and depreciation expenses Wine Business: Favorable valuation of inventories contributed to improved earnings

New Zealand Business: Earnings rose and the NZ\$ weakened as conversion to A\$ remained relatively flat

■ NPAT (Net profit after taxes): 278.3\* (up 4.2%) \*Excluding extraordinary loss

NPAT, including extraordinary income, decreased 3.3% to ¥272.7 million. (Extraordinary income from sale of Auckland, New Zealand factory site and others were recorded in the previous year. Extraordinary loss from restructuring of J. Boags following acquisition was recorded in the current year)

#### ■ Results by business:

- Australia Business: Sales volume +4.6% (+ 0.5% excluding contribution from J. Boag), sales +11.3%, EBIT +7.9%\*
- New Zealand Business (beer, wine, RTD, other): Sales volume +1.6%, net sales\*\* -1.5%, EBIT\*\* +3.8%, (\*\*NZ\$ base)
- Wine Business: Sales volume +2.5%, net sales +5.5%, EBIT +59.4%

2009 full year profit guide (Oct. 2008 to Sept. 2009) (As announced by LN, Unit: A\$ millions)

■ NPAT (Net profit after taxes): 300~315

Targeting NPAT of AU \$300~315 million (10% over previous fiscal year) from steady growth in the Beer business sales of new product groups and expanding sales of J. Boags brand and other factors, and despite forecasting an economic downturn

\*Forecasts for LN in Kirin's consolidated results are calculated by simply reflecting forecasted exchanged rates on 2008 results. (See next page)

### Inclusion of Lion Nathan in Kirin Group's consolidated results



					(billion yen)
		Operating	Ordinary		Consolidated
2008	Sales	income	income	Net income	net income
LN P/L	203.9	48.5	38.8	26.5	12.2
Brand amortization		(7.4)	(7.4)	(7.4)	(3.4)
Amortization of goodwill		(5.2)	(5.2)	(5.2)	(3.8)
Net	203.9	35.8	26.1	13.8	4.9
		Operating	Ordinary		Consolidated
2007	Sales	income	income	Net income	net income
LN P/L	190.2	45.1	36.2	27.5	12.7
Brand amortization		(69.0)	(6.9)	(6.9)	(3.2)
Amountination of mondarill		(14.0)	(4.0)	(4.0)	(3.2)
Amortization of goodwill		(14.0)	( 1.0)	\/	\/

Average ra	ites during	period
as used in	<b>Lion Natha</b>	an P&L

2008 1A\$ = \$97.382007 1A\$ = \$96.72

(hillian yan)

# September 30 rate (used in Lion Nathan B/S)

2008 1A\$ = ¥82.87 2007 1A\$ = ¥101.65

# December 31 rate (used in Kirin B/S)

2008 1A\$ = \$62.612007 1A\$ = \$100.18

2009 full year forecast	Sales	Operating income	Ordinary income	Net income	Consolidated net income
LN P&L	129.8	30.8	24.7	16.9	7.7
Brand amortization		(4.8)	(4.8)	(4.8)	(2.2)
Amortization of goodwill		(4.3)	(4.3)	(4.3)	(3.4)
Net	129.8	21.6	15.4	7.6	2.1

Average rates during period as used in Lion Nathan P&L 2009 forecast 1A\$ = ¥62

\*Forecasts for LN in Kirin's consolidated results are calculated by simply reflecting forecasted exchanged rates on 2008 results.

Consolidated adjustments: 20-year amortization of ¥51.0 bn premium paid at time of acquisition (approx. ¥2.5 billion per year).

Brand amortization: Amortization of non-tangible assets acquired by LN through M&A, etc. Subject to changes in appraisal value and exchange rates. Amortization of goodwill: From the period to Sep. 2006 LN has discontinued this in line with international accounting standards. However, Kirin is continuing amortization

In LN's P/L statements, part of the operating loss for 2007, 2008 and 2009 full year forecast are on consolidation reassigned as extraordinary profit/loss. The above figures reflect this change.

# San Miguel results overview



### **Highlights: Development of San Miguel**

**Since 2007** SMC has entered the power generation, power transmission, water supply, public works, mining, infrastructure development and other new businesses. San Miguel Brewery Inc. (SMB) was established in October following the spin-off of the domestic beer business. Australian company National Foods and Tasmanian beer company J. Boags were acquired in December

In May 2008 conducted an IPO for SMB and listed about 5% of issued shares. In October, acquired 27% of Manila Electric Company, the Philippines' largest power supply company and in December, concluded an options contract to acquire shares of the Philippines largest Petron Corporation, petroleum refiner and sales company

#### **Results overview**

From fiscal 2006, Kirin has changed consolidation timing of San Miguel (book closes in December). Calculations for FY 2007 and 2008 are based on San Miguel's results for Oct. 2006 to Sep. 2007, and Oct. 2007 to Sep. 2008

Oct. 2007 to Sep. 2008

\*1PHP=¥2.50 (Avg. Oct. 2007 to Sep. 2008 rate)

Net sales: 166.8 bn peso (About ¥417.1 bn)-30%
Operating income: 14.2 bn peso (About ¥35.6 bn)-22%
Net income: 22.4 bn peso (About ¥56.0 bn)+95%

Oct. 2006 to Sep. 2007

\*PHP=¥2.51 (Avg. Oct. 2006 to Sep. 2007 rate)

Net sales: 236.3 bn peso (about ¥593.2 bn) +43% Operating income: 18.1 bn peso (about ¥45.4 bn) +36% Net income: 11.4 bn peso (about ¥28.7 bn) +105%

#### Reference: Trends in net sales and operating income FY 2008 Jan to Sep.

Net sales up at all main Group companies rising 15% over previous year on a consolidated basis

Operating income rose 26% over previous year by contribution of Beer International Net income rose almost 200% from sale of non-core businesses and the SMB IPO

	Group structure	2008	2007	Change
	(PHP billion) consolidated	122.2	105.8	+15%
	San Miguel Brewery	35,225	31,959	+10%
Net sales	Beer International (US\$ million)	213.0	170.5	+25%
	Ginebra SM	11,150	9,492	+17%
	San Miguel Food	53,103	44,792	+19%
	San Miguel Packaging	14,754	13,660	+8%
	(PHP billion) consolidated	11.7	9.33	+26%
	San Miguel Brewery	10,763	8,776	+23%
Operating	Beer International (US\$ million)	1.32	(2.02)	+165%
income	Ginebra SM	621	543	+14%
	San Miguel Food	1526	1764	-14%
	San Miguel Packaging	978	504	+94%
Net income	(PHP billion) consolidated	20.9	7.07	+195%

Source: http://www.sanmiguel.com.ph/uploads/IR/SMC3rdqtr08results.pdf

Unit: Millions of yen unless noted otherwise

## Inclusion of San Miguel in Kirin Group's consolidated results



					(billion yen)
		Operating	Ordinary		Consolidated
2008	Sales	income	income	Net income	net income
SMC P&L	417.1	35.6	61.5	56.0	11.1
Equity in earnings of affiliates*			11.1	11.1	11.1
Amortization of investment amount differences			(2.1)	(2.1)	(2.1)
Net			9.0	9.0	9.0
		Operating	Ordinary		Consolidated
2007	Sales	income	income	Net income	net income
SMC P&L	593.2	45.4	38.9	28.7	5.7
Equity in earnings of affiliates*			5.7	5.7	5.7
Amortization of investment amount differences			(2.1)	(2.1)	(2.1)
Net			3.6	3.6	3.6

2009 full year		Operating	Ordinary		Consolidated
forecast	Sales	income	income	Net income	net income
SMC P&L	333.7	28.4	49.2	44.8	8.9
Equity in earnings of affiliates*			8.9	8.9	8.9
Amortization of investment amount differences			(2.1)	(2.1)	(2.1)
Net			6.7	6.7	6.7

From fiscal 2006, the financial reporting period for San Miguel has changed. Calculations for 2007 and 2008 are based on San Miguel's results for the period from Oct. 2006 to Mar. 2007 and from Oct. 2007 to Mar. 2008.

Amortization of investment amount difference: 20-year amortization of ¥42.8 bn premium paid at time of purchase in 2002 and 2005 (about ¥2.1 bn annually)

Average rates during the period as used in SMC P&L						
2008	1PHP= ¥2.50					
2007	1PHP =¥2.51					
Septem	nber 30 rate (used in SMC					
B/S)						
2008	1PHP = ¥2.21					
2007	1PHP = ¥2.57					
1						

(hillion von)

Forecast rates during period as used in SMC P&L 2009 forecast 1PHP = ¥2.00

<sup>\*</sup>Forecasts for LN in Kirin's consolidated results are calculated by simply reflecting forecasted exchanged rates on 2008 results.

# Pharmaceuticals pipeline

### \*Changes since August 2008



(As of January 31, 2009)

			(No of balldary 51, 2005)						
Category	Code Name	Generic Name	Generic Name Stage		Indication		In-house OR	Remarks	
Produc	Product Name		Japan	Other countries			Licensed		
	KRN321 NESP	Darbepoetin Alfa	Filed Nov/2008		Anemia (After chemotherapy for cancer)	Injection	Kirin-Amgen	Long-acting erythropoiesis stimulating protein An approval has been given in Japan for anemia of CKD patients on dialysis. In development since July 2007.	
	AMG531	Romiplostim	Phase Ⅲ		ldeopathic thrombocytopenic purpura	Injection	Kirin-Amgen	Thrombopoiesis stimulating peptibody. (Contractual based development with Amgen Development Inc.)	
	KW-2246	Fentanyl citrate	Phase Ⅲ		Cancer pain	Sublingual tablet	Licensed from Orexo.		
	KRN125	Pegfilgrastim	Phase Ⅱ		Neutropenia	Injection	Kirin-Amgen	Long-acting G-CSF	
Cancer/	AGS-003			Phase	Renal Cell Carcinoma	Injection	Developed with Argos.		
Hematology	AGS-004			Phase Ⅱ in Canada	HIV	Injection	Developed with Argos.		
	KRN654	Hydrochloric acid agrylin	Phase I/Ⅱ		Essential thrombocythemia	Oral	Licensed from Shire.		
	KW-0761		Phase I		Cancer (Hematologic tumor)	Injection	Developed In-house	Humanized monoclonal antibody	
	KW-2449			Phase I in USA	Cancer	Oral	Developed In-house		
	KW-2478			Phase I in Europe	Cancer	Injection	Developed In-house		
	ARQ 197		Phase I		Cancer	Oral	Licensed from ArQule.		
	KRN 330			Phase I in USA	Cancer	Injection	Developed In-house	Fully human monoclonal antibody	

# Pharmaceuticals pipeline 2

#### \*Changes since August 2008



(As of January 31, 2009)

								(713 of daridary 51, 2003)
Category	Code Name Product Name	Generic Name	Stage		Indication	Formulation	In-house OR	Remarks
			Japan	Other countries		· oaidilon	Licensed	
Kidney	PB94 PHOSBLOCK (RENEGAL)	Sevelamer Hydrochloride		Filed in China Jun/2008	Hyperphosphatemia	Oral	Licensed from Chugai	Launched in Japan
	KRN 321 NESP	Darbepoetin Alfa	Filed Dec/2008	Phase Ⅱ in China	☆ Anemia	Injection	Kirin-Amgen	Long-acting erythropoiesis stimulating protein. Approval granted for anemia of CKD patients on dialysis in Japan. In development since July 2007.
Immnology/ Allergy	KW-4679 ALLELOCK	Olopatadine Hydrochloride		Filed in China Jul/2008	Antiallergic	Oral	Developed In-house	Launched in Japan
	Z-206 ASACOL	Mesalazine	Phase <u>I</u> I		Inflammatory bowel disease (Crohn's disease)	Oral (pH depend controlled- release formulation)	Licensed from Zeria Pharma.	Jointly developed with Zeria Pharma.
	NU206			Phase I in Australia	Inflammatory bowel disease	Injection	Developed with Nuvelo	
	ASKP1240			_ <u>Phase                                    </u>	Organ Transplant Rejection	Injection	Developed with Astellas.	Fully human monoclonal antibody
CNS	KW-6002	Istradefylline	Phase ∐b	Filed in USA Apr/2007	Parkinson's disease	Oral	Developed In-house	☆ Clinical trials for monotherapy: Phase I a, in Japan
	KW-6500	Apomorphine Hydrochloride	Phase Ⅱ		Parkinson's disease	Injection	Licensed from Britannia Pharma.	
Cardiovascular	KW-3049 CONIEL	Benidipine Hydrochloride		Approved in China Sep/2008	☆ Angina	Oral	Developed In-house	☆ Launched for Hypertension in China in Dec 2004
Other	KW-7158		Phase		Bowel disease (Irritable bowel syndrome)	Oral	Developed In-house	Development program for KW-7158 (Phase II a clinical trials) Overactive bladder/Urinary incontinence was discontinued in Sep 2006.
	KW-3357	Antithrombin	Phase I		Blood coagulation factor inhibitor (Disseminated intravascular coagulation)	Injection	Developed In-house	Recombinant antithrombin product
	KRN23			Phase I in USA	Hypophosphatemic disease such as X-linked Hypophosphatemia (XLH)	Injection	Developed In-house	Fully human monoclonal antibody

Note: In Japan, application for approval of renal anemia (pre-dialysis treatment) for KRN321NESP (renal area) has been filed. (In China, development on anemia during dialysis is in progress)

#### Additional pipeline products:

In the Philippines, approval for Filgrastim(G-CSF) has been filed

In Korea, Taiwan and Thailand, approval for NESP(long-acting erythropoiesis stimulating protein) has been filed

In Hong Kong and Taiwan, REGPARA (a treatment for secondary hyperthyroidism during dialysis therapy) has been filed

In Korea, REGPAPA clinical pharmacological tests are underway

# Goodwill amortization (2008 full-year actual)



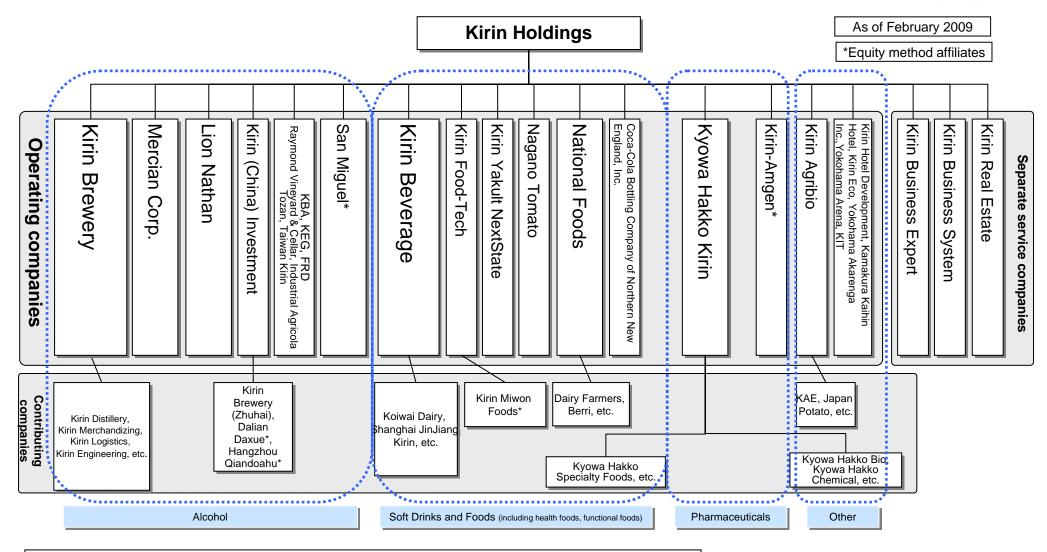
(Billion yen)	Kirin Holdings investment			t	Goodwill			Brand			Total amorti– zation
	Year of investment	Amortiza- tion	Balance remaining	Years remaining	Amortiza- tion	Balance remaining	Years remaining	Amortiza- tion	Balance remaining	Years remaining	
LION NATHAN LTD.	1998	2.5	24.6	10	1.3	4.9	4	7.0	28.4	4	10.9
Kirin Beverage	2006	1.9	34.8	18	-	-	1	1	-	1	1.9
Other		0.6			_	-	-	-	_	_	0.6
Total: Arising before 2006		5.2			1.3			7.0			13.6
Kyowa Hakko*	2007	6.0	124.0	19	-	-	1	1	-		6.0
National Foods Limited **	2007	6.8	92.7	19	_	32.3	19	2.7	38.4	19	9.6
J. Boag & Son Pty Limited	2008	1.2	12.8	9	_	_	_	0.4	4.7	9	1.7
Total: Investments after 2007		14.2			-			3.2			17.4
TOTAL		19.3			1.3			10.2			31.0

<sup>\*</sup>includes equity in net income of affiliates of 1.0 billion yen (Kyowa Hakko an equity method affiliate for Jan-March 2008)

<sup>\*\*</sup>includes Dairy Farmers

#### **Kirin Group Structure (as of February 2009)**





KBA: Kirin Brewery of America; KEG: Kirin Europe GmbH; FRD: Four Roses Distillery; KIT: Kirin International Trading; KAE: Kirin Agribio EC

<sup>\*</sup> Kirin Food-Tech will be merged with Kyowa Hakko Foods and will establish a new entity Kirin Kyowa Foods

<sup>\*</sup>Kirin Yakult Next Stage plans to be operated by Yakult Group in June 2009.

# Supplemental Information



		2007		2008	2009		
	Actual			Actual	Forecast		t
(year-on-year rate)							
Sales		1,801.1	8.1%	2,303.5 27.9%		2,300.0	(0.2%)
Operating income		120.6	3.7%	145.9 21.0%		121.0	(17.1%)
Ordinary income		123.3	2.1%	103.0 (16.5%)		125.0	21.3%
Net income		66.7	24.7%	80.1 20.2%		57.0	(28.9%)
EBITDA	*1	213.1	11.5%	*2 264.6 24.2%	*2	269.1	1.7%

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

<sup>\*2</sup> EBITDA = Operating income + equity in earnings of affiliates + depreciation + amortization of goodwill (excluding non-recurring depreciation) + special income and expenses (excluding gain on change in equity)

#### Sales Details



	200	7	200	8	200	9	
	Actu	al	Actu	al	Forecast		
Sales volume							
(year-on-year rate) Alcohol beverages	Thousand KL	Increase (Decrease)	Thousand KL	Increase (Decrease)	Thousand KL	Increase (Decrease)	
Beer, Happo-shu and New genre	3,388	(0.3%)	3,325	(1.8%)	3,306	(0.6%)	
	Million cases		Million cases	*1	Million cases	*1	
Soft drinks	239	4.5%	241	0.5%	246	2.4%	
Sales by business segments (year-on-year rate)	¥ billions	Increase (Decrease)	¥ billions	Increase (Decrease)	¥ billions	Increase (Decrease)	
Total sales	1,801.1	8.1%	2,303.5	27.9%	2,300.0	(0.2%)	
Alcohol beverages	1,189.4	8.2%	1,181.5	(0.7%)	1,095.0	(7.3%)	
Beer, Happo-shu and New genre	970.8	2.4%	959.7	(1.1%)	881.5	(8.1%)	
Other alcohol beverages	184.5	59.8%	173.4	(6.0%)	172.0	(0.9%)	
Other *2	34.0	(5.3%)	48.3	41.7%	41.5	(14.1%)	
Soft drinks and Foods *2	474.5	3.1%	716.6	51.0%	740.0	3.3%	
Pharmaceuticals	69.9	4.0%	171.5	145.3%	200.0	16.6%	
Other business *2	67.2	71.3%	233.8	247.9%	265.0	13.3%	
Biochemical	1981	ST.	59.1	7	80.0	35.3%	
Chemical	729	9 <u>2</u> 0	67.1	2	61.0	(9.2%)	
Agribio	21.5	14.6%	21.0	(2.5%)	16.0	(23.9%)	
Other	45.6	123.6%	86.4	89.5%	108.0	24.9%	

<sup>\*1</sup> These figures do not include 442,828 KL for the fiscal year 2008 (actual) and 415,000 KL for the fiscal year 2009 (forecast) in soft drinks business of National Foods.

<sup>\*2</sup> Please refer to a. Business segment information of (SEGMENT INFORMATION) on pages 32, 33 and 34 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.

#### Major Expense and Others



			(¥ billions)
	2007	2008	2009
	Actual	Actual	Forecast
Sales promotion	181.4	201.2	7
Advertising	69.0	72.0	252.5
(Sales promotion and advertising expenses include in the above)			
Kirin Brewery			
Sales promotion		47.6	٠
advertising expenses	92.3	36.4	79.1
Kirin Beverage *1			
Sales promotion	404.0	114.2	٠
advertising expenses	121.2	11.2	125.9
Research and development expenses	28.5	54.0	63.5
Depreciation *2	71.9	95.9	100.0
Amortization of goodwill *3	7.4	22.3	20.0
Financial profit, net	(5.3)	(16.4)	(11.0)
Capital expenditures	66.8	126.0	120.0
Cash flows	(34.2)	(27.5)	23.0
Operating activities	114.5	131.2	143.0
Investing activities	(269.6)	(169.3)	(62.0)
Financing activities	121.5	26.6	(56.0)

<sup>\*1</sup> The amounts of Soft drinks and Foods are consolidated Kirin Beverage.

<sup>\*2</sup> This amount includes brand amortization.

<sup>\*3</sup> Amortization of consolidation difference (Including non-recurring depreciation), "Goodwill" amortization

# Major Fluctuations of Balance Sheets



1	(¥ DIIIOn:						
	2007 Actual	2008 Actual	Increase (Decrease)	Reference			
ASSETS				,			
Current Assets							
Notes and accounts receivable, trade	361.1	446.6	85.5	Increase due to addition of newly consolidated subsidiaries *1, etc.			
Other (excluding notes and accounts receivable, trade)	273.5	379.5	106.0	Increase due to addition of newly consolidated subsidiaries *1, etc.			
Fixed Assets							
Property, Plant and Equipment							
Total Property, plant and equipment	635.9	791.3	155.4	Increase due to addition of newly consolidated subsidiaries *1, etc.			
Intangible Assets	•						
Goodwill	258.7	343.9	85.2	Increase due to addition of newly consolidated subsidiaries *1, etc.			
Other	128.1	105.4	(22.7)	Decrease due to influence of exchange rate fluctuations at consolidated subsidiaries in Australia, etc			
Investments and Other Assets	•						
Investment securities	712.2	425.3	(286.9)	Decrease in shares of affiliated companies held by Kirin Holdings and decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc.			
Other	57.8	87.1	29.3	Increase in currency swap of Kirin Holdings *2, etc.			

#### Major Fluctuations of Balance Sheets (continued)



	2007 Actual	2008 Actual	Increase (Decrease)	Reference
Long-term Liabilities				
Bonds	92.8	242.8	150.0	Increase due to issue of bonds at Kirin Holdings, etc.
Long-term debt	112.2	257.7	145.5	Increase at Kirin Holdings, etc.
Deferred tax liabilities	88.3	55.7	(32.6)	Increase due to addition of newly consolidated subsidiaries *1 and decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc.
Employees' pension and retirement benefits	60.1	82.7	22.6	Increase due to addition of newly consolidated subsidiaries *1, etc.

NET ASSETS				
Net unrealized holding gains on securities	124.7	37.4	(87.3)	Decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc.
Foreign currency translation adjustments	7.6	(88.7)	(96.3)	Decrease due to yen appreciation, etc.
Minority interests	44.7	222.0	177.3	Increase due to addition of newly consolidated subsidiaries *1, etc.

<sup>\*1 &</sup>quot;Increase due to addition of newly consolidated subsidiaries" was mainly resulted from the stock acquisition of Kyowa Hakko Kirin (on October 1, 2008, Kyowa Hakko Kogyo and Kirin Pharma merged to form a new company, Kyowa Hakko Kirin Co., Ltd.).

<sup>\*2</sup> Currency swaps are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currency from subsidiaries in Australia.

#### Guide to Kirin Group Consolidated Financial Indices



			2007 Actual	2008 Actual	2009 Forecast
	μ Consolidated sales	Including liquor tax	1,801.1	2,303.5	2,300.0
targets	Consolidated sales	Excluding liquor tax	1,400.6	1,922.8	1,930.0
ve ta	Φ Operating income		120.6	145.9	121.0
Quantitative	Operating income ratio	Including liquor tax	6.7%	6.3%	5.3%
Quar	Operating income ratio	Excluding liquor tax	8.6%	7.6%	6.3%
	ROE		6.5%	8.1%	6.0%

		Aleehel heverages	1.189.4		1,181.5	1,095.0
		Alcohol beverages	,		•	
	Sales by segment	Soft drinks and Foods	474.5		716.6	740.0
	Sales by segment	Pharmaceuticals	69.9		171.5	200.0
		Others	67.2		233.8	265.0
	Operating income by segment	Alcohol beverages	96.5		109.9	90.0
		Soft drinks and Foods	16.0		6.4	12.0
		Pharmaceuticals	13.0		28.2	28.0
e		Others	6.3		18.2	13.0
iidelir		Eliminations or Corporate	(11.3)		(16.9)	(22.0)
ษ	Overseas ratio	Sales excluding liquor tax	19%		27%	24%
	EBITDA *1		213.1	*2	264.6	269.1
		1. Future portion (before 2006)	13.9	*3	13.6	10.0
	Amortization of goodwill etc.	2. Investment after 2007	-	*4	17.4	16.3
		Total amortization of goodwill (1.+2.)	13.9		31.0	26.4
		Prior to 2. amortization of goodwill etc.	70	*2	25	76
	EPS(¥)	After amortization of goodwill etc.	70		84	60
	D/E ratio		0.58		0.72	0.69

\*1 2007 Actual EBITDA = ¥213.1 billion:

Income before income taxes and minority interests ¥128.4 billion + interest expense ¥12.6 billion - interest and dividend income ¥7.2 billion + depreciation ¥71.9 billion + amortization of goodwill ¥7.4 billion

2008 Actual EBITDA = 264.6 billion:

Operating income ¥145.9 billion + equity in earnings of affiliates ¥11.8 billion + depreciation ¥95.9 billion + amortization of goodwill (excluding non-recurring depreciation) ¥20.8 billion + special income and expenses (¥9.9) billion

2009 Forecast EBITDA = ¥269.1 billion:

Operating income ¥121.0 billion + equity in earnings of affiliates ¥14.1 billion + depreciation ¥100.0 billion + amortization of goodwill ¥20.0 billion + special income and expenses ¥14.0 billion

- \*2 The figures are calculated, excluding gain on change in equity (¥72.6 billion) arising from the share exchange with Kyowa Hakko Kogyo.
- \*3 Amortization of goodwill etc. Future portion (before 2006) ¥13.6 billion:

Lion Nathan ¥10.9 billion (brand amortization ¥7.0 billion, amortization of consolidation difference ¥2.5 billion, "Goodwill" amortization ¥1.3 billion)

Kirin Beverage ¥1.9 billion (amortization of consolidation difference), etc.

\*4 Amortization of goodwill etc. After investments in 2007 ¥17.4 billion:

National Foods ¥9.6 billion (brand amortization ¥2.7 billion, amortization of consolidation difference ¥6.8 billion) Kyowa Hakko Kirin ¥6.0 billion (amortization of consolidation difference)

J. Boag &Son ¥1.7 billion (brand amortization ¥0.4 billion, amortization of consolidation difference ¥1.2 billion)

#### Information by Segment



#### <FY2008>

(¥ billions)

	Alcohol beverages	Soft drinks and Foods	Pharmaceuticals	Others	Eliminations or Corporate	Total
Depreciation *1	46.7	26.3	7.5	12.8	2.4	95.9
Amortization of goodwill *2	5.5	10.0	4.7	0.5	-	20.8
EBITDA*3	167.8	36.1	32.3	38.1	(9.9)	264.6
Capital expenditures	58.5	30.4	5.5	31.1	0.3	126.0
R&D expenses	5.5	2.5	38.3	4.6	2.8	54.0

<sup>\*1</sup> This amount Includes brand amortization.

#### <FY2009>

	Alcohol beverages	Soft drinks and Foods	Pharmaceuticals	Others	Eliminations or Corporate	Total
Depreciation *1	46.8	25.1	8.4	17.3	2.2	100.0
Amortization of goodwill *2	4.6	9.0	5.8	0.4	-	20.0
EBITDA*3	147.1	43.1	46.0	30.4	2.3	269.1
Capital expenditures	53.1	22.5	13.4	19.3	11.5	120.0
R&D expenses	5.2	3.3	44.3	6.8	3.7	63.5

<sup>\*1</sup> This amount Includes brand amortization.

<sup>\*2</sup> Amortization of consolidation difference, "Goodwill" amortization

<sup>\*3</sup> EBITDA = Operating income + equity in earnings of affiliates + depreciation + amortization of goodwill (excluding non-recurring depreciation) + special income and expenses (excluding gain on change in equity)

<sup>\*2</sup> Amortization of consolidation difference, "Goodwill" amortization

<sup>\*3</sup> EBITDA = Operating income + equity in earnings of affiliates + depreciation + amortization of goodwill + special income and expenses

#### Results of Operations by Major Companies (Consolidated)



	Sales	Operating income	Ordinary income	Net income	Consolidated Net income
Kirin Brewery (consolidated subsidiary) *1	868.6	58.5	-	-	-
Mercian (consolidated subsidiary)	92.7	0.6	0.5	0.1	0.0
Lion Nathan (consolidated subsidiary) *2	203.9	48.5	38.8	26.5	12.2
Brand amortization		(7.4)	(7.4)	(7.4)	(3.4)
Amortization of goodwill *3		(5.2)	(5.2)	(5.2)	(3.8)
After adjustments of the above	203.9	35.8	26.1	13.8	4.9
Kirin Beverage (consolidated subsidiary)	403.8	5.2	-	-	-
Amortization of goodwill		(1.9)	-	-	-
After adjustments of the above	403.8	3.3	-	-	-
National Foods (consolidated subsidiary)	212.4	8.1	-	-	-
Brand amortization *4		(2.7)	-	-	-
Amortization of goodwill *3 *4		(6.8)	-	-	-
After adjustments of the above	212.4	(1.4)	-	-	-
Kyowa Hakko Kirin (consolidated subsidiary) *5	362.2	42.6	43.2	10.4	5.2
Elimination of amortization of goodwill at Kyowa Hakko*6		7.1	7.1	7.1	3.6
Amortization of goodwill		(4.9)	(4.9)	(4.9)	(4.9)
After adjustments of the above	362.2	44.8	45.4	12.6	3.8
Kirin Pharma (consolidated subsidiary) *1 *5	9.1	(3.4)	-	-	-
Kyowa Hakko Kogyo (affiliated company) *5	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 *7			(1.0)	(1.0)	(1.0)
After adjustments of the above			(1.2)	(1.2)	(1.2)
San Miguel (affiliated company)	417.1	35.6	61.5	56.0	* 11.1
Equity in earnings of affiliates *			* 11.1	11.1	11.1
Amortization of consolidation difference *7			(2.1)	(2.1)	(2.1)
After adjustments of the above			9.0	9.0	9.0

\*1 The amounts are non-consolidated.

\*2 As for information of the Lion Nathan, the Company reclassified certain amount of operating income and expenses into special income and expenses in the consolidated statements of income. The above figures are presented after reclassification.

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

\*4 Based on established price due to completion of allocation of acquisition cost.

\*5 On October 1, 2008, Kyowa Hakko Kogyo and Kirin Pharma merged to form a new company, Kyowa Hakko Kirin Co., Ltd. The Company prepared the financial statements after the adjustments of accounting period of Kyowa Hakko Kirin, Kyowa Hakko Kogyo and Kirin Pharma as follows:

Kyowa Hakko Kirin (consolidated subsidiary) April to September

(Kyowa Hakko Kogyo consolidated, including Kirin Pharma) October to December (Kyowa Hakko Kirin consolidated)

Kirin Pharma (consolidated subsidiary) January to March Kyowa Hakko Kogyo (affiliated company) January to March

\*6 Amortization of goodwill arose from the share exchange undertaken between Kyowa Hakko Kogyo and Kirin Pharma, which is booked at Kyowa Hakko Kirin (consolidated), has been eliminated at the consolidation process of the Company.

\*7 Account title: Equity in earnings of affiliates

#### FY2009 Forecasts



	Sales	Operating income	Ordinary income	Net income	(¥ billions)  Consolidated  Net income
Kirin Brewery (consolidated subsidiary) *1	859.6	52.8	-	-	-
Mercian (consolidated subsidiary)	90.0	2.1	2.0	0.9	0.4
Lion Nathan (consolidated subsidiary) *2	129.8	30.8	24.7	16.9	7.7
Brand amortization		(4.8)	(4.8)	(4.8)	(2.2)
Amortization of goodwill *3		(4.3)	(4.3)	(4.3)	(3.4)
After adjustments of the above	129.8	21.6	15.4	7.6	2.1
Kirin Beverage (consolidated subsidiary)	419.5	8.4	-	-	-
Amortization of goodwill		(1.9)	-	-	-
After adjustments of the above	419.5	6.5	-	-	-
National Foods (consolidated subsidiary) *4	216.1	6.4	-	-	-
Brand amortization *4		(2.0)	-	-	-
Amortization of goodwill *3 *4		(6.5)	-	-	-
After adjustments of the above	216.1	(2.0)	-	-	-
Kyowa Hakko Kirin (consolidated subsidiary)	404.7	30.8	30.6	15.0	7.5
Elimination of amortization of goodwill *5		9.3	9.4	9.4	4.7
Amortization of goodwill		(6.5)	(6.5)	(6.5)	(6.5)
After adjustments of the above	404.7	33.6	33.5	17.9	5.7
San Miguel (affiliated company) *6	333.7	28.4	49.2	44.8	* 8.9
Equity in earnings of affiliates *			* 8.9	8.9	
Amortization of consolidation difference *7			(2.1)	(2.1)	(2.1)
After adjustments of the above			6.7	6.7	6.7

- \*1 The amounts are non-consolidated.
- \*2 As for 2009 forecast of operation of Lion Nathan, the Company reclassified certain amount of operating income and expenses into special income and 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 2008 as the forecast for the year ending December 31, 2009.
- \*3 Amortization of consolidation difference, "Goodwill" amortization
- \*4 These figures include Dairy Farmers. Market value and others adopted to calculation of brand amortization and amortization of goodwill of Dairy Farmers are tentative.
- \*5 Amortization of goodwill arose from the share exchange undertaken between Kyowa Hakko Kogyo and Kirin Pharma, which is booked at Kyowa Hakko Kirin (consolidated), has been eliminated at the consolidation process of the Company.
- \*6 The Company uses operating results of San Miguel in foreign currency from October 2007 to September 2008 as the forecast for the year ending December 31 2009.
- \*7 Account title: Equity in earnings of affiliates

# Sales Details of Alcohol Beverages (Kirin Brewery)



		200	)7	200	08	2009		
		Actu	ıal	Acti	ual	Forecast		
Sales volume	year-on-year rate)	Thousand KL	Increase (Decrease)	Thousand KL	Increase (Decrease)	Thousand KL	Increase (Decrease)	
Beer		1,001	(1.8%)	867	(13.4%)	802	(7.6%)	
Happo-shu		824	(4.9%)	811	(1.6%)	790	(2.6%)	
New genre		543	10.4%	606	11.5%	680	12.2%	
Subtotal		2,369	(0.4%)	2,285	(3.5%)	2,272	(0.6%)	
RTD		200	(12.5%)	203	1.6%	222	9.0%	
Breakdown of sales	year-on-year rate)	¥ billions		¥ billions		¥ billions		
Beer		402.5	(1.5%)	356.7	(11.4%)	330.0	(7.4%)	
Happo-shu		243.1	(4.8%)	246.6	1.4%	240.0	(2.6%)	
New genre		139.6	12.3%	158.7	13.7%	179.0	12.4%	
Subtotal		785.4	(0.4%)	762.0	(3.0%)	749.0	(1.7%)	
RTD		53.2	(11.9%)	54.4	2.2%	59.0	9.3%	
Shochu, Whiskey, Spirits a	and Wines, etc.	42.4	17.7%	43.6	2.8%	42.0	(4.0%)	

The above sales volume and sales include exports.

#### Sales Details of Soft Drinks (Kirin Beverage)



#### <Category >

(10,000 cases)

Soft drink beverages  Sales Composition Sales Composition Increase Percentage Sales Composition	9 Forecast	
Sales Composition Sales Composition Increase Percentage Sales Composi		
Volume ratio Volume ratio (Decrease) over the previous year Volume ratio		Percentage over the previous year
Japanese Tea 3,036 15% 2,911 14% (125) 96% 2,950 1	14% 39	101%
Oolong Tea 385 2% 329 2% (56) 85% 300	1% (29)	91%
	18% (13)	100%
Sub-total 7,210 36% 7,003 34% (207) 97% 7,000 3	33% (3)	100%
Coffee 3,481 17% 3,518 17% 37 101% 3,750 1	8% 232	107%
	(184)	93%
Carbonated beverage 655 3% 926 5% 271 141% 1,000	5% 74	108%
Water 3,816 19% 3,943 20% 127 103% 4,150 2	20% 207	105%
Other 1,560 8% 1,731 8% 171 111% 1,630	8% (101)	94%
Domestic soft drink beverage market total 19,532 97% 19,605 96% 73 100% 19,830 9	95% 225	101%
Overseas Overseas soft drink beverage market total 714 3% 810 4% 96 113% 1,170	5% 360	144%
Total Soft drink beverages total 20,246 100% 20,415 100% 169 101% 21,000 10	00% 585	103%

# Sales Details of Soft Drinks by Container (Kirin Beverage)



#### <Container Type >

(10,000 cases)

Soft drink beverages		2007 Actual		2008 Actual			2009 Forecast					
Container Type	Category	Details	Sales Volume	Composition ratio	Sales Volume	Composition ratio	Increase (Decrease)	Percentage over the previous year	Sales Volume	Composition ratio	Increase (Decrease)	Percentage over the previous year
Cans	Can	Including bottle styled cans	3,968	20%	4,390	22%	422	111%	4,700	22%	310	107%
		2L	3,958	20%	3,947	19%	(11)	100%	3,800	18%	(147)	96%
	Large-sized PET Bottles	1.5L, 1L, 900ml, 750ml	1,560	7%	1,724	8%	164	111%	1,600	8%	(124)	93%
		Large-sized PET Bottles total	5,518	27%	5,671	27%	153	103%	5,400	26%	(271)	95%
PET Bottles		500ml	5,134	26%	5,363	28%	229	104%	5,600	27%	237	104%
	Small-sized PET Bottles	350ml or less	2,601	13%	1,952	10%	(649)	75%	1,900	9%	(52)	97%
		Small-sized PET Bottles total	7,735	39%	7,315	36%	(420)	95%	7,500	36%	185	103%
PET Bottles total		13,253	66%	12,986	63%	(267)	98%	12,900	62%	(86)	99%	
Other containers	ther containers One-way/Returnable bottles, paper, gifts, etc.		2,311	11%	2,229	11%	(82)	96%	2,230	11%	1	100%
Overseas markets	Soft drink beverages total		714	3%	810	4%	96	113%	1,170	5%	360	144%
All containers	ontainers Container total		20,246	100%	20,415	100%	169	101%	21,000	100%	585	103%

#### Sales Details of Pharmaceuticals



(¥ billions)

	2007	2008	2009
	Actual	Actual	Forecast
ESPO®/ NESP®	44.9	39.9	-
GRAN® / Neu-up®	14.8	16.5	-
Coniel®	-	18.1	-
Allelock®	-	15.6	-
REGPARA®	-	3.9	-
Patanol®	-	2.2	-
Topina ®	-	0.6	-

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

The amounts for the fiscal 2007 (actual) shown above are the actual results of operation of Kirin Pharma. The amounts for the second quarter and the third quarter included in fiscal 2008 (actual) are those of Kyowa Hakko Kogyo (including Kirin Pharma), and the amounts for the fourth quarter included in fiscal 2008 (actual) is that of Kyowa Hakko Kirin.

The fiscal 2009 (forecast) is scheduled to be announced at the time of disclosure for the March 2009 accounting period of Kyowa Hakko Kirin.

# おいしさを笑顔に

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