KIRIN HOLDINGS COMPANY, LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Consolidated Balance Sheets

Kirin Holdings Company, Limited and Consolidated Subsidiaries
As of December 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2012**	2011	**2012**
Current assets			
Cash and time deposits (Notes 3 and 19)	**¥ 83,916**	¥ 76,218	**$ 969,230**
Notes and accounts receivable, trade	**413,138**	406,448	**4,771,748**
Merchandise and finished goods	**122,159**	112,986	**1,410,937**
Work in process	**32,684**	30,937	**377,500**
Raw materials and supplies	**51,658**	49,059	**596,650**
Deferred tax assets (Note 20)	**25,277**	26,303	**291,949**
Other	**64,800**	62,361	**748,440**
Allowance for doubtful accounts	**(4,138)**	(6,250)	**(47,793)**
Total current assets	**789,496**	758,065	**9,118,687**
Non-current assets			
Property, plant and equipment (Notes 3 and 4)			
(Net of accumulated depreciation and accumulated loss on impairment)			
Buildings and structures	**235,429**	247,950	**2,719,207**
Machinery, equipment and vehicles	**239,431**	233,271	**2,765,430**
Land (Note 25)	**201,513**	201,436	**2,327,477**
Construction in progress	**50,578**	47,529	**584,176**
Other	**36,483**	33,644	**421,379**
Total	**763,437**	763,833	**8,817,706**
Intangible assets			
Goodwill	**642,190**	713,749	**7,417,301**
Other	**179,758**	102,511	**2,076,206**
Total	**821,948**	816,261	**9,493,508**
Investments and other assets (Note 3)			
Investment securities (Notes 13, 16 and 21)	**475,157**	417,619	**5,488,068**
Deferred tax assets (Note 20)	**47,299**	42,234	**546,303**
Other (Note 16)	**59,450**	62,922	**686,648**
Allowance for doubtful accounts	**(5,727)**	(6,681)	**(66,146)**
Total	**576,178**	516,094	**6,654,862**
Total non-current assets	**2,161,564**	2,096,189	**24,966,089**
Total assets	**¥2,951,061**	¥2,854,254	**$34,084,788**

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

LIABILITIES AND NET ASSETS	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities			
Notes and accounts payable, trade	**¥ 151,184**	¥ 146,955	**$ 1,746,176**
Short-term loans payable and long-term debt with current maturities (Note 3)	**37,048**	85,517	**427,904**
Commercial paper (Note 3)	**77,994**	121,989	**900,831**
Bonds due within one year	**79,998**	23,111	**923,977**
Liquor taxes payable	**86,262**	91,800	**996,327**
Income taxes payable	**39,206**	26,783	**452,829**
Allowance for employees' bonuses	**5,435**	5,552	**62,774**
Allowance for bonuses for directors and company auditors	**259**	246	**2,991**
Accrued expenses	**101,180**	92,423	**1,168,630**
Other	**139,565**	121,039	**1,611,977**
Total current liabilities	**718,137**	715,419	**8,294,490**
Non-current liabilities			
Bonds (Note 3)	**285,579**	365,487	**3,298,440**
Long-term debt (Note 3)	**483,005**	468,999	**5,578,713**
Deferred tax liabilities (Note 20)	**85,268**	21,811	**984,846**
Deferred tax liability due to land revaluation (Notes 20 and 25)	**1,361**	1,286	**15,719**
Employees' pension and retirement benefits (Note 23)	**64,045**	65,516	**739,720**
Retirement benefits for directors and company auditors	**266**	260	**3,072**
Reserve for repairs and maintenance of vending machines	**4,863**	4,908	**56,167**
Reserve for environmental measures	**1,600**	2,125	**18,480**
Reserve for loss on litigation	**25,732**	22,078	**297,204**
Long-term deposits received (Note 3)	**67,338**	73,222	**777,754**
Other	**59,960**	65,243	**692,538**
Total non-current liabilities	**1,079,022**	1,090,939	**12,462,716**
Total liabilities	**1,797,159**	1,806,359	**20,757,207**
Net assets			
Shareholders' equity (Note 17)			
Common stock			
Authorized - 1,732,026,000 shares in 2012 and 2011			
Issued - 965,000,000 shares in 2012 and 2011	**102,045**	102,045	**1,178,620**
Capital surplus	**81,415**	81,417	**940,344**
Retained earnings	**796,737**	801,856	**9,202,321**
Treasury stock, at cost			
3,502,064 shares in 2012 and 3,268,428 shares in 2011	**(3,509)**	(3,271)	**(40,528)**
Total shareholders' equity	**976,689**	982,048	**11,280,769**
Accumulated other comprehensive income			
Net unrealized gains on securities	**59,113**	11,116	**682,755**
Deferred gains or losses on hedges	**(9,298)**	(279)	**(107,392)**
Land revaluation difference (Note 25)	**(2,543)**	(2,543)	**(29,371)**
Foreign currency translation adjustments	**(75,017)**	(137,419)	**(866,447)**
Total accumulated other comprehensive income	**(27,746)**	(129,126)	**(320,466)**
Subscription rights to shares	**203**	250	**2,344**
Minority interests	**204,754**	194,722	**2,364,911**
Total net assets	**1,153,901**	1,047,895	**13,327,569**
Total liabilities and net assets	**¥2,951,061**	¥2,854,254	**$34,084,788**

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

Consolidated Statements of Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries
For the years ended December 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Sales	**¥2,186,177**	¥2,071,774	**$25,250,369**
Less liquor taxes	**315,549**	323,375	**3,644,594**
Net sales	**1,870,627**	1,748,398	**21,605,763**
Cost of sales	**958,923**	895,477	**11,075,571**
Gross profit	**911,704**	852,922	**10,530,191**
Selling, general and administrative expenses (Note 6)	**758,682**	710,058	**8,762,785**
Operating income	**153,022**	142,864	**1,767,405**
Non-operating income			
Interest income	**3,822**	3,880	**44,144**
Dividend income	**3,342**	4,757	**38,600**
Equity in earnings of affiliates	**-**	10,541	**-**
Other	**10,869**	3,952	**125,537**
Total	**18,034**	23,133	**208,292**
Non-operating expenses			
Interest expense	**22,827**	20,915	**263,652**
Equity in losses of affiliates	**676**	-	**7,807**
Other	**9,101**	8,264	**105,116**
Total	**32,605**	29,179	**376,588**
Ordinary income	**138,452**	136,818	**1,599,122**
Special income			
Gain on sale of property, plant and equipment and intangible assets (Note 7)	**16,224**	21,322	**187,387**
Gain on sale of investment securities (Note 13)	**4,216**	1,619	**48,694**
Gain on sale of shares of subsidiaries and affiliates	**330**	15,399	**3,811**
Gain on step acquisitions	**8,206**	-	**94,779**
Insurance income	**4,454**	2,413	**51,443**
Other	**598**	4,020	**6,906**
Total	**34,030**	44,776	**393,046**
Special expenses			
Loss on disposal of property, plant and equipment and intangible assets (Note 7)	**6,447**	2,651	**74,462**
Loss on sale of property, plant and equipment and intangible assets (Note 7)	**1,073**	2,738	**12,393**
Loss on impairment (Note 8)	**9,848**	16,895	**113,744**
Loss on devaluation of investment securities (Note 13)	**1,028**	24,119	**11,873**
Loss on sale of investment securities (Note 13)	**1,123**	692	**12,970**
Loss on sale of shares of subsidiaries and affiliates	**1,252**	4,396	**14,460**
Business restructuring expense (Note 11)	**10,862**	6,073	**125,456**
Loss related to the Great East Japan Earthquake (Note 10)	**-**	19,832	**-**
Other	**7,254**	19,276	**83,783**
Total	**38,890**	96,675	**449,179**
Income before income taxes and minority interests	**133,592**	84,918	**1,542,989**
Income taxes - current	**61,907**	56,578	**715,026**
Income taxes - deferred	**(1,778)**	5,088	**(20,535)**
Total	**60,128**	61,666	**694,479**
Income before minority interests	**73,463**	23,251	**848,498**
Minority interests	**17,265**	15,844	**199,410**
Net income	**¥ 56,198**	¥ 7,407	**$ 649,087**

	Yen		U.S. dollars (Note 1)
Earnings per share			
Basic	**¥ 58.44**	¥ 7.70	**$ 0.67**
Diluted	**57.31**	7.14	**0.66**
Cash dividends per share applicable to the year	**¥ 29.00**	¥ 27.00	**$ 0.33**

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

Consolidated Statements of Comprehensive Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Income before minority interests	**¥ 73,463**	¥ 23,251	**$ 848,498**
Other comprehensive income (Note 12)			
Net unrealized gains on securities	**48,994**	2,610	**565,881**
Deferred gains or losses on hedges	**(9,117)**	(1,465)	**(105,301)**
Land revaluation difference	**-**	109	**-**
Foreign currency translation adjustments	**56,163**	(86,939)	**648,683**
Share of other comprehensive income of entities accounted for by the equity method	**10,477**	(9,487)	**121,009**
Total other comprehensive income	**106,517**	(95,172)	**1,230,272**
Comprehensive income	**¥179,981**	¥(71,920)	**$2,078,782**
Comprehensive income attributable to:			
Owners of the parent	**¥157,715**	¥(84,589)	**$1,821,610**
Minority interests	**22,266**	12,669	**257,172**

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

Consolidated Statements of Changes in Net Assets

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2012 and 2011

	Millions of yen		Thousands of U.S dollars (Note 1)
	2012	2011	**2012**
Shareholders' equity			
Common stock			
Number of shares (Thousands of shares) (Note 18)			
Balance at beginning of year	**965,000**	965,000	
Balance at end of year	**965,000**	965,000	
Amount			
Balance at beginning of year	**¥102,045**	¥ 102,045	**$ 1,178,620**
Balance at end of year	**¥102,045**	¥ 102,045	**$ 1,178,620**
Capital surplus			
Additional paid-in capital:			
Balance at beginning of year	**¥ 81,417**	¥ 81,412	**$ 940,367**
Disposal of treasury stock	**(2)**	5	**(23)**
Balance at end of year	**¥ 81,415**	¥ 81,417	**$ 940,344**
Retained earnings			
Balance at beginning of year	**¥801,856**	¥ 821,519	**$ 9,261,446**
Changes of items during the period			
Dividends from surplus (Note 18)	**(25,966)**	(25,009)	**(299,907)**
Net income	**56,198**	7,407	**649,087**
Change in scope of consolidation	**584**	-	**6,745**
Acquisition of non-controlling interests by foreign subsidiaries	**(32,986)**	-	**(380,988)**
Change in scope of entities accounted for by the equity method	**(2,948)**	-	**(34,049)**
Reversal of land revaluation difference on sale (Note 25)	**-**	(2,060)	**-**
Total changes of items during the period	**(5,118)**	(19,662)	**(59,112)**
Balance at end of year	**¥796,737**	¥ 801,856	**$ 9,202,321**
Treasury stock			
Balance at beginning of year	**¥ (3,271)**	¥ (2,985)	**$ (37,780)**
Acquisition of treasury stock	**(315)**	(544)	**(3,638)**
Disposal of treasury stock	**77**	257	**889**
Balance at end of year	**¥ (3,509)**	¥ (3,271)	**$ (40,528)**
Total shareholders' equity			
Balance at beginning of year	**¥982,048**	¥1,001,992	**$11,342,665**
Changes of items during the period			
Dividends from surplus (Note 18)	**(25,966)**	(25,009)	**(299,907)**
Net income	**56,198**	7,407	**649,087**
Change in scope of consolidation	**584**	-	**6,745**
Acquisition of non-controlling interests by foreign subsidiaries	**(32,986)**	-	**(380,988)**
Change in scope of entities accounted for by the equity method	**(2,948)**	-	**(34,049)**
Acquisition of treasury stock	**(315)**	(544)	**(3,638)**
Disposal of treasury stock	**75**	262	**866**
Reversal of land revaluation difference on sale (Note 25)	**-**	(2,060)	**-**
Total	**(5,358)**	(19,944)	**(61,884)**
Balance at end of year	**¥976,689**	¥ 982,048	**$11,280,769**

Accumulated other comprehensive income			
Net unrealized gains on securities			
Balance at beginning of year	**¥ 11,116**	¥ 7,252	**$ 128,389**
Net changes of items during the period	**47,997**	3,863	**554,365**
Balance at end of year	**¥ 59,113**	¥ 11,116	**$ 682,755**
Deferred gains or losses on hedges			
Balance at beginning of year	**¥ (279)**	¥ 1,285	**$ (3,222)**
Net changes of items during the period	**(9,018)**	(1,565)	**(104,158)**
Balance at end of year	**¥ (9,298)**	¥ (279)	**$ (107,392)**
Land revaluation difference (Note 25)			
Balance at beginning of year	**¥ (2,543)**	¥ (4,713)	**$ (29,371)**
Net changes of items during the period	**-**	2,169	**-**
Balance at end of year	**¥ (2,543)**	¥ (2,543)	**$ (29,371)**
Foreign currency translation adjustments			
Balance at beginning of year	**¥ (137,419)**	¥ (43,341)	**$ (1,587,191)**
Net changes of items during the period	**62,401**	(94,077)	**720,732**
Balance at end of year	**¥ (75,017)**	¥ (137,419)	**$ (866,447)**
Total accumulated other comprehensive income			
Balance at beginning of year	**¥ (129,126)**	¥ (39,516)	**$ (1,491,406)**
Net changes of items during the period	**101,380**	(89,609)	**1,170,940**
Balance at end of year	**¥ (27,746)**	¥ (129,126)	**$ (320,466)**
Subscription rights to shares			
Balance at beginning of year	**¥ 250**	¥ 207	**$ 2,887**
Net changes of items during the period	**(47)**	42	**(542)**
Balance at end of year	**¥ 203**	¥ 250	**$ 2,344**
Minority interests			
Balance at beginning of year	**¥ 194,722**	¥ 196,352	**$ 2,249,041**
Net changes of items during the period	**10,031**	(1,629)	**115,858**
Balance at end of year	**¥ 204,754**	¥ 194,722	**$ 2,364,911**
Total net assets			
Balance at beginning of year	**¥1,047,895**	¥1,159,036	**$12,103,199**
Changes of items during the period			
Dividends from surplus (Note 18)	**(25,966)**	(25,009)	**(299,907)**
Net income	**56,198**	7,407	**649,087**
Change in scope of consolidation	**584**	-	**6,745**
Acquisition of non-controlling interests by foreign subsidiaries	**(32,986)**	-	**(380,988)**
Change in scope of entities accounted for by the equity method	**(2,948)**	-	**(34,049)**
Acquisition of treasury stock	**(315)**	(544)	**(3,638)**
Disposal of treasury stock	**75**	262	**866**
Reversal of land revaluation difference on sale (Note 25)	**-**	(2,060)	**-**
Net changes of items during the period	**111,364**	(91,197)	**1,286,255**
Total	**106,006**	(111,141)	**1,224,370**
Balance at end of year	**¥1,153,901**	¥1,047,895	**$13,327,569**

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

Consolidated Statements of Cash Flows

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥133,592**	¥ 84,918	**$1,542,989**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**103,428**	103,871	**1,194,594**
Loss on impairment	**9,848**	16,895	**113,744**
Amortization of goodwill	**42,934**	38,891	**495,888**
Interest and dividend income	**(7,164)**	(8,638)	**(82,744)**
Equity in losses (earnings) of affiliates	**676**	(10,541)	**7,807**
Interest expense	**22,827**	20,915	**263,652**
Foreign currency translation gain	**(117)**	(29)	**(1,351)**
Gain on sale of property, plant and equipment and intangible assets	**(16,224)**	(21,322)	**(187,387)**
Loss on disposal and sale of property, plant and equipment and intangible assets	**6,365**	4,538	**73,515**
Gain on sale of investment securities	**(4,216)**	(1,619)	**(48,694)**
Loss on devaluation of investment securities	**1,028**	24,119	**11,873**
Gain on sale of shares of subsidiaries and affiliates	**(330)**	(15,399)	**(3,811)**
Loss on sale of shares of subsidiaries and affiliates	**1,252**	4,396	**14,460**
Insurance income	**(4,454)**	(2,413)	**(51,443)**
Decrease (increase) in notes and accounts receivable, trade	**(2,260)**	2,622	**(26,103)**
Decrease (increase) in inventories	**(5,998)**	(2,941)	**(69,276)**
Increase (decrease) in notes and accounts payable, trade	**(366)**	(11,005)	**(4,227)**
Increase (decrease) in liquor taxes payable	**(2,961)**	(3,310)	**(34,199)**
Increase (decrease) in consumption taxes payable	**1,637**	1,955	**18,907**
Increase (decrease) in deposits received	**(1,739)**	8,067	**(20,085)**
Other	**(24,806)**	29,221	**(286,509)**
Sub-total	**252,950**	263,192	**2,921,575**
Interest and dividends received	**16,164**	18,895	**186,694**
Interest paid	**(17,473)**	(20,808)	**(201,813)**
Proceeds from insurance income	**4,794**	1,765	**55,370**
Income taxes paid	**(44,374)**	(66,253)	**(512,520)**
Net cash provided by operating activities	**212,061**	196,792	**2,449,306**
Cash flows from investing activities			
Payment for purchases of property, plant and equipment and intangible assets	**(98,977)**	(79,830)	**(1,143,185)**
Proceeds from sale of property, plant and equipment and intangible assets	**44,257**	29,405	**511,168**
Payment for acquisition of marketable securities and investment securities	**(9,639)**	(44,326)	**(111,330)**
Proceeds from sale and redemption of marketable securities and investment securities	**24,566**	12,895	**283,737**
Payment for purchases of shares of subsidiaries	**(1,573)**	(886)	**(18,168)**
Payment for acquisition of shares of newly consolidated subsidiaries (Note 19)	**(111)**	(344,355)	**(1,282)**
Proceeds from sale of shares of subsidiaries excluded from the scope of consolidation (Note 19)	**981**	70,423	**11,330**
Other	**(7,882)**	(4,983)	**(91,037)**
Net cash used in investing activities	**(48,379)**	(361,658)	**(558,778)**
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	**(7,250)**	(103,193)	**(83,737)**
Increase (decrease) in commercial paper	**(43,994)**	110,989	**(508,131)**
Proceeds from long-term debt	**69,605**	283,366	**803,938**
Repayment of long-term debt	**(111,474)**	(117,586)	**(1,287,525)**
Proceeds from issuance of bonds	**-**	70,000	**-**
Payment for redemption of bonds	**(24,907)**	(5,014)	**(287,676)**
Payment for acquisition of treasury stock	**(315)**	(544)	**(3,638)**
Proceeds from sale of treasury stock	**75**	244	**866**
Payment for acquisition of treasury stock by a consolidated subsidiary	**(7,511)**	(12,582)	**(86,752)**
Cash dividends paid	**(25,966)**	(25,009)	**(299,907)**
Cash dividends paid to minority shareholders	**(5,722)**	(6,086)	**(66,089)**
Other	**(2,546)**	(1,368)	**(29,406)**
Net cash provided by (used in) financing activities	**(160,008)**	193,214	**(1,848,094)**
Effect of exchange rate changes on cash and cash equivalents	**3,272**	(2,833)	**37,791**
Net increase in cash and cash equivalents	**6,945**	25,513	**80,214**
Cash and cash equivalents at beginning of year	**70,847**	45,278	**818,283**
Net increase in cash and cash equivalents from new consolidation/de-consolidation of subsidiaries	**175**	-	**2,021**
Net increase in cash and cash equivalents from merger of non-consolidated subsidiaries with consolidated subsidiaries	**73**	55	**843**
Cash and cash equivalents at end of year (Note 19)	**¥ 78,041**	¥ 70,847	**$ 901,374**

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

Notes to Consolidated Financial Statements

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2012 and 2011

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying consolidated financial statements have been prepared by using the accounts of consolidated foreign subsidiaries prepared in accordance with either IFRS or accounting principles generally accepted in the United States, together with adjustment for certain items which are required to be adjusted in the consolidation process. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars in the accompanying consolidated financial statements are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on December 31, 2012, which was ¥86.58 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(1) CONSOLIDATION

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

Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over periods mainly between 15 and 20 years. Any immaterial amounts are fully recognized as expenses as incurred.

The number of consolidated subsidiaries as of December 31, 2012 was 257.

Major consolidated subsidiaries as of December 31, 2012 were as follows:
Kirin Brewery Co., Ltd., Kirin Beer Marketing Co., Ltd., Mercian Corp., Kirin Beverage Co., Ltd., LION PTY LTD, Brasil Kirin Participacoes e Representacoes S.A., Kyowa Hakko Kirin Co., Ltd. and Kirin Kyowa Foods Co., Ltd.

Changes in the scope of consolidation during the year ended December 31, 2012 are as follows:

(a) Due to new establishment, one subsidiary of LION PTY LTD and one subsidiary of Kyowa Hakko Kirin Co., Ltd. became consolidated subsidiaries.

(b) Due to new acquisition, one subsidiary of Trade Ocean Holdings Sdn. Bhd. and Grande Indigo Global Ltd. became consolidated subsidiaries.

(c) Due to an increase in materiality, one subsidiary of Kirin Kyowa Foods Co., Ltd. became a consolidated subsidiary.

(d) Due to additional investments, one affiliate of LION PTY LTD and one affiliate of Kyowa Hakko Kirin Co., Ltd., which had been accounted for by the equity method until the fiscal year ended December 31, 2011, became consolidated subsidiaries. Due to this change, three subsidiaries of LION PTY LTD also became consolidated subsidiaries.

(e) Due to sales of shares, two subsidiaries of Mercian Corp., five subsidiaries of LION PTY LTD and one subsidiary of Kyowa Hakko Kirin Co., Ltd. were excluded from the consolidation scope.

(f) Due to mergers, two subsidiaries of Brasil Kirin Participacoes e Representacoes S.A. and one subsidiary of Kyowa Hakko Kirin Co., Ltd. were excluded from the consolidation scope.

(g) Due to liquidation, Kirin Well-Foods Co., Ltd., Kirin Real Estate Co., Ltd., one subsidiary of Mercian Corp., one subsidiary of Kirin Beverage Co., Ltd. and one subsidiary of Kirin Kyowa Foods Co., Ltd. were excluded from the consolidation scope.

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

Fiscal year-ends of LION PTY LTD and its subsidiaries are September 30 and accordingly, different from that of the Company. The Company used the financial statements of the companies as of their fiscal year-ends and for the years then ended for consolidation and made necessary adjustments for major transactions between the fiscal year-ends of the consolidated subsidiaries and that of the Company.

(2) EQUITY METHOD

Investments in unconsolidated subsidiaries and affiliates (principally ownership interests of 20% to 50%) are accounted for by the equity method and, accordingly, are stated at purchase cost adjusted for equity earnings and losses of the investments after elimination of unrealized inter-company profits and losses from the date of acquisition of shares. The number of unconsolidated subsidiaries and affiliates accounted for by the equity method as of December 31, 2012 was 18.

Major affiliates which are accounted for by the equity method at December 31, 2012 are as follows:
SAN MIGUEL BREWERY INC., China Resources Kirin Beverages (Greater China) Co., Ltd. and Kirin-Amgen, Inc.

Changes in the scope of entities accounted for by the equity method during the year ended December 31, 2012 are as follows:

(a) Due to new establishment, one affiliate of Kyowa Hakko Kirin Co., Ltd. became an affiliate accounted for by the equity method.
(b) Due to an increase in materiality, one affiliate of Kirin Holdings USA, Inc. became an affiliate accounted for by the equity method.
(c) Due to a decrease in ownership percentage, Fraser and Neave Limited was excluded from the scope of entities accounted for by the equity method.
(d) Due to additional investments, one affiliate of LION PTY LTD and one affiliate of Kyowa Hakko Kirin Co., Ltd. became consolidated subsidiaries and were excluded from the scope of entities accounted for by the equity method.

Certain investments in unconsolidated subsidiaries, including Chiyoda Transportation Co., Ltd., and affiliates, including Diamond Sports Club Co., Ltd., were not accounted for by the equity method and were stated at cost because the effect of the Company's share of their net income or losses and retained earnings on the accompanying consolidated financial statements is immaterial.

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

The Company accounts for SAN MIGUEL BREWERY INC. and China Resources Kirin Beverages (Greater China) Co., Ltd. (fiscal year ended December 31) by the equity method. The Company recognized these foreign affiliates in equity of earnings of its financial statements based on the financial statements for 12 months from the fourth quarter of the previous fiscal year to the third quarter of this fiscal year, since it is difficult for the Company to prepare its consolidated financial statements based on the final year-end figures of the above two companies due to the early disclosure of the consolidated business performance.

(3) FOREIGN CURRENCY TRANSLATION

(a) Translation of accounts

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

(b) Financial statements denominated in foreign currencies

Balance sheets of consolidated foreign subsidiaries are translated into Japanese yen at the year-end rate except for shareholders' equity accounts, which are translated at the historical rates. Income statements of consolidated foreign subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company. Resulting exchange differences arising are recognized as foreign currency translation adjustments in other comprehensive income.

(4) CASH AND CASH EQUIVALENTS

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

(5) MARKETABLE AND INVESTMENT SECURITIES

The Company and its consolidated subsidiaries examine the intent of holding each security and classify those securities as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities"). The Company and its consolidated subsidiaries did not hold any security defined as (a) above as of December 31, 2012 and 2011.

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

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

(6) **INVENTORIES**

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

(7) **ALLOWANCE FOR DOUBTFUL ACCOUNTS**

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

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

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated loss on impairment. Depreciation for the Company and its consolidated domestic subsidiaries is calculated using the declining-balance method except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method. Depreciation for several consolidated foreign subsidiaries is calculated using the straight-line method. Useful lives and the residual values for the Company and its consolidated domestic subsidiaries are mainly based on the methods provided by the Japanese Income Tax Law.

(9) **INTANGIBLE ASSETS (excluding leased assets)**

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

(10) **ALLOWANCE FOR EMPLOYEES’ BONUSES**

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

(11) **ALLOWANCE FOR BONUSES FOR DIRECTORS AND COMPANY AUDITORS**

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

(12) **EMPLOYEES’ PENSION AND RETIREMENT BENEFITS**

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

(13) **RETIREMENT BENEFITS FOR DIRECTORS AND COMPANY AUDITORS**

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

(14) **RESERVE FOR REPAIRS AND MAINTENANCE OF VENDING MACHINES**

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

(15) **RESERVE FOR ENVIRONMENTAL MEASURES**

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

(16) **RESERVE FOR LOSS ON LITIGATION**

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

(17) **RESEARCH AND DEVELOPMENT EXPENSES**

Research and development expenses for the improvement of existing products or the development of new products, including basic research and fundamental development costs, are recognized in the consolidated statements of income in the year when incurred. The total amount of research and development expenses, included in cost of sales and selling, general and administrative expenses, was ¥55,078 million ($636,151 thousand) and ¥58,297 million for the years ended December 31, 2012 and 2011, respectively.

(18) **LIQUOR TAXES**

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

(19) **INCOME TAXES**

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(20) **CONSUMPTION TAXES**

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

(21) **LEASES**

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

(22) **DERIVATIVE AND HEDGE ACCOUNTING**

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains and losses in the consolidated statements of income unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains and losses resulting from changes in fair value of derivative financial instruments as "Deferred gains or losses on hedges" in accumulated other comprehensive income in the accompanying consolidated balance sheets until the related gains and losses on the hedged items are recognized.

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

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

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

If interest rate swap contracts of the Company and its consolidated domestic subsidiaries are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. ("S*pecial treatment*")

Interest rate swaps that hedge transactions between consolidated companies are stated at fair value and the changes in the fair value are recognized as income or loss in the consolidated statement of income for the period.

Hedging instruments and hedged items

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

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

The Company and its consolidated subsidiaries use derivative financial instruments mainly for the purpose of mitigating (i) fluctuation risk of foreign currency exchange rates with respect to receivables and payables in foreign currency and future transactions in foreign currency, (ii) fluctuation risk of interest rates with respect to loans receivable and payable, and (iii) fluctuation risk of commodity prices of raw materials and others.

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

(23) AMOUNTS PER SHARE OF COMMON STOCK

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

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

(24) NEW ACCOUNTING STANDARDS

Accounting standard for accounting changes and error corrections

Effective from January 1, 2012, the Company has applied the “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan (“ASBJ”) Statement No.24 of December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 of December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on January 1, 2012.

(25) ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Accounting standard for retirement benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No.26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No.25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 and the other related guidance.

Under the revised accounting standard, actuarial gains and losses and past service costs shall be recognized within net assets in the consolidated balance sheets, after adjusting tax effects, and the funding deficit or surplus shall be recognized as a liability or asset. In addition, the new accounting standard allows a choice for the method of attributing expected benefits to periods of either the straight-line basis or plan’s benefit formula basis. In addition, the determination method of the discount rate was amended.

The Company expects to apply the revised accounting standard from the end of the fiscal year ending December 31, 2014. However, the amendment of the calculation method for present value of defined benefit obligations and current service costs will be adopted from the beginning of the fiscal year ending December 31, 2015.

The effect of adoption of this revised accounting standard is now under assessment at the time of preparation of the accompanying consolidated financial statements.

(26) RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements for the year ended December 31, 2011 to conform to the presentation for the year ended December 31, 2012.

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

Short-term loans payable outstanding as of December 31, 2012 and 2011 consisted of the following:

	December 31,		December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Unsecured	**¥17,989**	¥35,195	**$207,773**
Secured	**6,680**	8,070	**77,154**
Total short-term loans payable	**¥24,669**	¥43,266	**$284,927**

Average annual interest rates on outstanding short-term loans payable as of December 31, 2012 and 2011 were 2.34% and 2.92%, respectively.

Long-term debt and bonds as of December 31, 2012 and 2011 consisted of the following:

	December 31,		December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Loans principally from banks and insurance companies, with average rate of 3.56% for current portion, and maturing from 2013 to 2026 with average rate of 1.91% for non-current portion	**¥495,384**	¥511,250	**$5,721,690**
0.553% coupon debentures in yen, due in 2012	**-**	20,000	**-**
1.09% coupon debentures in yen, due in 2013	**79,998**	79,994	**923,977**
0.856% coupon debentures in yen, due in 2014	**30,000**	30,000	**346,500**
1.27% coupon debentures in yen, due in 2015	**29,996**	29,994	**346,454**
0.505% coupon debentures in yen, due in 2016	**30,000**	30,000	**346,500**
1.69% coupon debentures in yen, due in 2018	**69,992**	69,991	**808,408**
1.639% coupon debentures in yen, due in 2019	**50,000**	50,000	**577,500**
1.86% coupon debentures in yen, due in 2020	**19,990**	19,989	**230,884**
1.239% coupon debentures in yen, due in 2021	**40,000**	40,000	**462,000**
8.65% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2012	**-**	3,111	**-**
4.53% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2015	**15,600**	15,518	**180,180**
Less current maturities	**(92,377)**	(65,363)	**(1,066,955)**
Total long-term debt and bonds	**¥768,585**	¥834,486	**$8,877,165**

The non-current portion of loans includes loans due in 2013 of a consolidated subsidiary whose fiscal year-end is September 30 which differs from that of the Company.
The above balances of loans include secured loans of ¥9,225 million ($106,548 thousand) and ¥10,300 million as of December 31, 2012 and 2011, respectively.

Other interest-bearing debt as of December 31, 2012 and 2011 consisted of the following:

	December 31,		December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Finance lease obligation - current (at an average interest rate of 3.38% in 2012 and 3.50% in 2011)	**¥ 1,285**	¥ 1,117	**$ 14,841**
Finance lease obligation - non-current (at an average interest rate of 3.69% in 2012 and 4.46% in 2011, maturing between 2014 to 2025)	**4,936**	5,341	**57,010**
Commercial paper (at an average interest rate of 0.11% in 2012 and 0.13% in 2011)	**77,994**	121,989	**900,831**
Long-term deposits received (at an average interest rate of 1.06% in 2012 and 2011)	**¥67,338**	¥ 73,222	**$777,754**

Long-term deposits received on the accompanying consolidated balance sheets include non-interest-bearing deposits.
The above balance of long-term deposits received includes a secured portion of ¥3,364 million ($38,854 thousand) and ¥3,429 million as of December 31, 2012 and 2011, respectively.

The aggregate annual maturities of long-term debt, bonds and finance lease obligation as of December 31, 2012 were as follows:

	Amount	
	(Millions of yen)	(Thousands of U.S. dollars)
Years ending December 31,		
2013	**¥ 93,663**	**$ 1,081,808**
2014	**138,970**	**1,605,105**
2015	**91,449**	**1,056,237**
2016	**136,713**	**1,579,036**
2017	**71,653**	**827,592**
2018 and thereafter	**334,734**	**3,866,181**
Total	**¥867,185**	**$10,015,996**

Long-term deposits received are not included in the above schedule of annual maturities, as there is no fixed maturity period for these deposits.

As of December 31, 2012 and 2011, assets pledged as collateral for the above secured liabilities were as follows:

	December 31, **2012**	December 31, 2011	December 31, **2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and time deposits	**¥ 9**	¥ 9	**$ 103**
Property, plant and equipment	**16,844**	19,662	**194,548**
Other	**-**	101	**-**
Total	**¥16,853**	¥19,772	**$194,652**

Long-term deposits received relating to construction were recognized at the discounted present value of ¥10,585 million ($122,256 thousand) and ¥10,377 million as of December 31, 2012 and 2011, respectively, in accordance with the accounting standard for financial instruments.

4. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, **2012**	December 31, 2011	December 31, **2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	**¥ 595,360**	¥ 609,927	**$ 6,876,414**
Machinery, equipment and vehicles	**898,454**	853,220	**10,377,154**
Land	**201,513**	201,436	**2,327,477**
Construction in progress	**50,578**	47,529	**584,176**
Other	**181,657**	177,019	**2,098,140**
Total	**1,927,564**	1,889,134	**22,263,386**
Accumulated depreciation	**(1,164,127)**	(1,125,301)	**(13,445,680)**
Net of property, plant and equipment	**¥ 763,437**	¥ 763,833	**$ 8,817,706**

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

	December 31, **2012**	December 31, 2011	December 31, **2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	**¥132**	¥ 94	**$1,524**
Machinery, equipment and vehicles	**299**	382	**3,453**
Other	**268**	268	**3,095**
Total	**¥700**	¥745	**$8,085**

5. CONTINGENT LIABILITIES

As of December 31, 2012 and 2011, the Company and its consolidated subsidiaries were contingently liable as guarantors of loan obligations of unconsolidated subsidiaries, affiliates, employees and others for the amount of ¥9,342 million ($107,900 thousand) and ¥6,240 million, respectively. The Company and its consolidated subsidiaries were also contingently liable for notes receivable discounted for the amount of ¥37 million ($427 thousand) and ¥83 million as of December 31, 2012 and 2011, respectively.

Consolidated subsidiaries of the Company in Brazil are in tax-related litigation with the tax authority over ICMS (State Value-Added Tax), PIS (Social Integration Program), COFINS (Social Security Contribution) and others, in addition to labor-related litigation and civil lawsuits. Although "Reserve for loss on litigation" has been recorded in order to provide for the estimated losses on these litigation and lawsuits, ¥68,986 million ($796,789 thousand) and ¥84,659 million associated with tax-related litigation, ¥5,782 million ($66,782 thousand) and ¥6,451 million associated with labor-related litigation and ¥8,716 million ($100,669 thousand) and ¥8,471 million associated with civil lawsuits have not been recorded as reserves as of December 31, 2012 and 2011, respectively, because the risks of losses in the future are classified by management as only possible upon consideration of the individual risks of each contingent event based on the opinion of outside legal advisers.

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended December 31, 2012 and 2011 were as follows:

	Years ended December 31,		Year ended December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Sales promotion	**¥170,244**	¥151,176	**$1,966,320**
Freight	**67,804**	72,071	**783,136**
Advertising	**79,917**	59,074	**923,042**
Employees' pension and retirement benefit expenses	**16,395**	14,440	**189,362**
Salaries and wages of employees	**143,279**	137,472	**1,654,874**
Research and development expenses	**55,007**	58,238	**635,331**
Depreciation and amortization	**34,597**	31,893	**399,595**
Tax benefits of foreign subsidiaries	**¥ (19,052)**	¥ -	**$ (220,050)**

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

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

	Years ended December 31,		Year ended December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Gain on sale of property, plant and equipment and intangible assets:			
Buildings and structures	**¥ 109**	¥ 25	**$ 1,258**
Machinery, equipment and vehicles	**421**	375	**4,862**
Land	**13,269**	20,866	**153,257**
Other	**2,424**	55	**27,997**
Total	**16,224**	21,322	**187,387**
Loss on sale of property, plant and equipment and intangible assets:			
Buildings and structures	**252**	1,357	**2,910**
Machinery, equipment and vehicles	**319**	300	**3,684**
Land	**167**	264	**1,928**
Other	**333**	816	**3,846**
Total	**1,073**	2,738	**12,393**
Loss on disposal of property, plant and equipment and intangible assets:			
Buildings and structures	**2,527**	1,153	**29,186**
Machinery, equipment and vehicles	**2,797**	1,172	**32,305**
Other	**1,122**	325	**12,959**
Total	**¥ 6,447**	¥ 2,651	**$ 74,462**

8. LOSS ON IMPAIRMENT

Year ended December 31, 2012

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

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

Use	Location	Type of assets
Assets used for business (Domestic Alcohol Beverages business)	Koushu-shi, Yamanashi and two others	Buildings and structures, machinery, equipment and vehicles, land, intangible assets and other assets
Assets used for business (Overseas Beverages business)	Australia and two others	Buildings and structures, machinery, equipment and vehicles, land, intangible assets and other assets
Others (Pharmaceuticals and Bio-chemicals)	China	Goodwill
Assets used for business (Others)	Indonesia	Buildings and structures, machinery, equipment and vehicles and other assets
Assets for rent	Inashiki-gun, Ibaraki and one other	Buildings and structures, machinery, equipment and vehicles, land and other assets
Idle properties	England and three others	Buildings and structures, machinery, equipment and vehicles, land, intangible assets and other assets

Carrying amounts of certain assets were devalued to their memorandum value or recoverable amount because (i) the Company revalued some assets used for Domestic Alcohol Beverages business and assets used for other business at a subsidiary in Indonesia, since they were not recoverable based on estimated future cash flows, (ii) it was clearly determined that some assets used for Overseas Beverages business would not be used in the future, (iii) in connection with the goodwill of Chinese subsidiaries of the Pharmaceuticals and Bio-chemicals businesses, the operating environments are expected to worsen due to the drastic decrease in prices for medicine, (iv) the fair values of rental properties and idle properties substantially declined compared to their carrying values.

As a result, the Company recognized a loss on impairment of ¥9,848 million ($113,744 thousand) and a business restructuring expense of ¥4,718 million ($54,492 thousand) recorded under special expenses in the consolidated statement of income for such devaluation and removal costs, comprising ¥3,007 million ($34,730 thousand) for buildings and structures, ¥7,438 million ($85,908 thousand) for machinery, equipment and vehicles, ¥480 million ($5,544 thousand) for land, ¥51 million ($589 thousand) for other property, plant and equipment, ¥896 million ($10,348 thousand) for goodwill, ¥2,663 million ($30,757 thousand) for other intangible assets and ¥28 million ($323 thousand) for removal costs.

The recoverable amount of each group of assets is the higher of net selling price (fair value less cost to sell or appraised value) or value in use calculated by discounting future cash flows at a discount rate of 5.0 % for the Company and consolidated domestic subsidiaries. Discount rates of 7.4% to 12.1% were used for the calculation of value in use of assets recorded at consolidated foreign subsidiaries depending on the situation of each subsidiary.

Year ended December 31, 2011

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

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

Use	Location	Type of assets
Assets used for business (Domestic Alcohol Beverages business)	Itabashi-ku, Tokyo and three others	Buildings and structures, machinery, equipment and vehicles, land, intangible assets and other assets
Assets used for business (Overseas Beverages business)	Australia and China	Buildings and structures, machinery, equipment and vehicles, land, intangible assets and other assets
Assets for rent	Chofu-shi, Tokyo	Buildings and structures
Idle properties	Takatsuki-shi, Osaka and 11 others	Buildings and structures, machinery, equipment and vehicles, land and other assets

Carrying amounts of certain assets were devalued to their memorandum value or recoverable amount because (i) it was clearly determined that some assets used for Domestic Alcohol Beverages business would not be used in the future, (ii) the Company revalued assets recorded at Overseas Beverages business at subsidiaries in Australia and China, and (iii) the fair values of rental properties and idle properties substantially declined compared to their carrying values.
As a result, the Company recognized a loss on impairment for such devaluation of ¥16,895 million recorded under special expenses, comprising ¥1,663 million for buildings and structures, ¥2,775 million for machinery, equipment and vehicles, ¥7,104 million for land, ¥505 million for other property, plant and equipment and ¥4,846 million for other intangible assets.

The recoverable amount of each group of assets is the higher of net selling price (fair value less cost to sell or appraised value) or value in use calculated by discounting future cash flows at a discount rate of 5.0 % for the Company and consolidated domestic subsidiaries. Discount rates of 10.5% to 13.5% were used for the calculation of value in use of assets recorded at consolidated foreign subsidiaries depending on the situation of each subsidiary.

9. FOREIGN CURRENCY TRANSLATION GAIN OR LOSS

For the year ended December 31, 2012, loss on currency swaps and forward foreign exchange contracts that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies and others amounting to ¥1,371 million ($15,835 thousand) is included in "Other" under non-operating income after offsetting foreign currency translation gain.
For the year ended December 31, 2011, loss on currency swaps that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies amounting to ¥851 million is included in "Other" under non-operating expenses after offsetting foreign currency translation gains.

10. LOSS RELATED TO THE GREAT EAST JAPAN EARTHQUAKE

Loss related to the Great East Japan Earthquake of ¥19,832 million for the year ended December 31, 2011 includes repair costs for damaged facilities, loss on devaluation and disposal of damaged inventories, fixed costs for manufacturing during suspension of operations, and costs related to unpublished advertisements.

11. BUSINESS RESTRUCTURING EXPENSE

For the years ended December 31, 2012 and 2011, business restructuring expense comprised expense for plant reorganization of ¥6,527 million ($75,386 thousand) and ¥4,222 million, respectively, at consolidated subsidiaries.

12. OTHER COMPREHENSIVE INCOME

Amounts reclassified to net income (loss) for the year ended December 31, 2012 that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Net unrealized gains on securities:		
Increase (decrease) during the year	¥ 78,090	$ 901,940
Reclassification adjustments	(2,075)	(23,966)
Amount before tax effect	76,015	877,974
Tax effect	27,021	312,092
Sub-total	48,994	565,881
Deferred gains or losses on hedges:		
Increase (decrease) during the year	(10,248)	(118,364)
Reclassification adjustments	1,005	11,607
Amount before tax effect	(9,243)	(106,756)
Tax effect	(125)	(1,443)
Sub-total	(9,117)	(105,301)
Foreign currency translation adjustments:		
Increase (decrease) during the year	56,163	648,683
Reclassification adjustments	-	-
Amount before tax effect	56,163	648,683
Tax effect	-	-
Sub-total	56,163	648,683
Share of other comprehensive income of entities accounted for by the equity method		
Increase (decrease) during the year	9,956	114,991
Reclassification adjustments	521	6,017
Sub-total	10,477	121,009
Total other comprehensive income	¥106,517	$1,230,272

13. INFORMATION ON SECURITIES

The following tables summarize acquisition costs, carrying amount and fair value of securities with fair value.

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

	December 31, 2012					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
1. Securities with fair value exceeding carrying amount						
Governmental/municipal bonds	¥110	¥110	¥0	$1,270	$1,270	$0
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	110	110	0	1,270	1,270	0
2. Securities with fair value not exceeding carrying amount						
Governmental/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Total	¥110	¥110	¥0	$1,270	$1,270	$0

	December 31, 2011		
	Carrying amount	Fair value	Difference
	(Millions of yen)		
1. Securities with fair value exceeding carrying amount			
Governmental/municipal bonds	¥310	¥312	¥2
Corporate bonds	-	-	-
Other	-	-	-
Sub-total	310	312	2
2. Securities with fair value not exceeding carrying amount			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Sub-total	-	-	-
Total	¥310	¥312	¥2

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

	December 31, 2012					
	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
1. Securities with carrying amount exceeding acquisition cost						
Equity securities	**¥237,620**	**¥138,626**	**¥98,994**	**$2,744,513**	**$1,601,131**	**$1,143,381**
Bonds						
Governmental/municipal bonds	**-**	**-**	**-**	**-**	**-**	**-**
Corporate bonds	**-**	**-**	**-**	**-**	**-**	**-**
Other	**13,862**	**13,762**	**100**	**160,106**	**158,951**	**1,155**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Sub-total	**251,483**	**152,388**	**99,094**	**2,904,631**	**1,760,083**	**1,144,536**
2. Securities with carrying amount not exceeding acquisition cost						
Equity securities	**15,599**	**21,723**	**(6,124)**	**180,168**	**250,900**	**(70,732)**
Bonds						
Governmental/municipal bonds	**-**	**-**	**-**	**-**	**-**	**-**
Corporate bonds	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	-	-
Other	**-**	**-**	**-**	**-**	**-**	**-**
Sub-total	**15,599**	**21,723**	**(6,124)**	**180,168**	**250,900**	**(70,732)**
Total	**¥267,082**	**¥174,112**	**¥92,970**	**$3,084,800**	**$2,010,995**	**$1,073,804**

	December 31, 2011		
	Carrying amount	Acquisition cost	Difference
	(Millions of yen)		
1. Securities with carrying amount exceeding acquisition cost			
Equity securities	¥ 66,530	¥40,610	¥25,920
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	5,064	4,909	155
Other	1,087	934	153
Sub-total	72,682	46,453	26,228
2. Securities with carrying amount not exceeding acquisition cost			
Equity securities	40,550	49,563	(9,013)
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	14	15	(0)
Other	-	-	-
Sub-total	40,565	49,579	(9,014)
Total	¥113,247	¥96,033	¥17,214

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

	Years ended December 31, 2012	2011	Year ended December 31, 2012
	(Millions of yen)		(Thousands of U.S. dollars)
Amount of securities sold	**¥24,343**	¥7,875	**$281,161**
Total gain on sale	**4,261**	1,619	**49,214**
Total loss on sale	**¥ 1,123**	¥ 692	**$ 12,970**

(d) Carrying amount of major securities not measured at fair value

	December 31, 2012	2011	December 31, 2012
	(Millions of yen)		(Thousands of U.S. dollars)
Available-for-sale securities			
Unlisted equity securities	**¥21,080**	¥19,709	**$243,474**
Other	**31**	31	**358**
Total	**¥21,112**	¥19,740	**$243,843**

(e) Reclassification of category of investment securities

Year ended December 31, 2012

Shares in Fraser and Neave Limited that were classified as investment in affiliates were reclassified to available-for-sale securities since the ownership percentage of the Company decreased during the fiscal year ended December 31, 2012. As a result, investment securities, net unrealized gains on securities, foreign currency translation adjustments and deferred gains or losses on hedges increased by ¥56,525 million ($652,864 thousand), ¥34,514 million ($398,637 thousand), ¥1,731 million ($19,993 thousand) and ¥21 million ($242 thousand), respectively, and retained earnings decreased by ¥2,948 million ($34,049 thousand).

Year ended December 31, 2011

Shares in Fraser and Neave Limited that were classified as available-for-sale securities were reclassified to investment in affiliates since the Company acquired additional shares during the fiscal year ended December 31, 2011 and therefore, the investment was accounted for by the equity method. As a result, net unrealized gains on securities increased by ¥2,161 million.

(f) Impairment loss on investment securities

Impairment losses of ¥1,028 million ($11,873 thousand) and ¥24,119 million were recognized in the consolidated statements of income as "Loss on devaluation of investment securities" for available-for-sale securities for the years ended December 31, 2012 and 2011, respectively. Where the fair value of available-for-sale securities has declined by more than 30% from their acquisition costs, the value of those securities is considered to have "substantially declined" and the impairment losses on those securities are recognized in the consolidated statements of income, unless the value is considered recoverable. For available-for-sale securities without fair value, when the value of those securities has declined by more than 50% from their acquisition costs, the value of those securities is considered to have "substantially declined" and the impairment losses on those securities are recognized in the consolidated statements of income, except for cases where the recoverability of the value of those securities in the future is supported by reasonable grounds.

14. SEGMENT INFORMATION

1. Summary of reportable segments

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

The Kirin Group comprises, under a holding company structure, various business companies including Kirin Brewery Company, Limited engaging in the Domestic Alcohol Beverages business, Kirin Beverage Company, Limited engaging in the Domestic Non-alcohol Beverages business, LION PTY LTD engaging in the Overseas Beverages business, and Kyowa Hakko Kirin Co., Ltd. engaging in the Pharmaceuticals and Bio-chemicals business. Each of these business companies work out a comprehensive strategy applicable to their products and services and carries out their business activities.

Consequently, the Kirin Group has identified four reportable segments, namely, Domestic Alcohol Beverages, Domestic Non-alcohol Beverages, Overseas Beverages, and Pharmaceuticals and Bio-chemicals, by combining the business companies with the emphasis on the business company units and in consideration of the similarity of their economic characteristics.

"Domestic Alcohol Beverages" conducts production and sale of alcohol beverages, such as beer, sparkling malt liquor (*happo-shu*), new genre, whiskey, spirits and wine, and includes such businesses as engineering and logistics.

"Domestic Non-alcohol Beverages" conducts production and sale of soft drinks.

"Overseas Beverages" conducts overseas production and sale of beer, whiskey, spirits, wine, soft drinks, dairy products and other products.

"Pharmaceuticals and Bio-chemicals" conducts production and sale of pharmaceutical and bio-chemical products and other products.

"Domestic Alcohol Beverages" and "Domestic Non-alcohol Beverages" include certain overseas companies.

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

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

	Year ended December 31, 2012						
	Reportable Segment						
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Bio-chemicals	Others (Note 1)	Adjustment (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	(Millions of yen)						
Sales							
Unaffiliated customers	**¥851,818**	**¥335,340**	**¥579,391**	**¥322,976**	**¥ 96,650**	**¥ -**	**¥2,186,177**
Less liquor taxes	**315,316**	**-**	**-**	**-**	**233**	**-**	**315,549**
Net sales	**536,502**	**335,340**	**579,391**	**322,976**	**96,417**	**-**	**1,870,627**
Inter-segment	**38,281**	**1,955**	**1,270**	**10,182**	**24,568**	**(76,258)**	**-**
Total sales	**574,783**	**337,296**	**580,661**	**333,158**	**120,985**	**(76,258)**	**1,870,627**
Segment income	**63,357**	**4,450**	**27,610**	**55,503**	**4,865**	**(2,764)**	**153,022**
Segment assets	**557,984**	**215,465**	**1,330,032**	**664,471**	**123,416**	**59,691**	**2,951,061**
Other items							
Depreciation and amortization	**29,083**	**11,129**	**33,384**	**20,904**	**7,892**	**1,033**	**103,428**
Amortization of goodwill	**191**	**2,434**	**30,536**	**9,153**	**618**	**-**	**42,934**
Investments in equity-method affiliates	**1,448**	**490**	**159,606**	**33,674**	**3,968**	**-**	**199,189**
Increase of property, plant and equipment and intangible assets	**¥ 17,928**	**¥ 14,329**	**¥ 34,402**	**¥ 27,480**	**¥ 8,209**	**¥ (123)**	**¥ 102,227**

	Year ended December 31, 2012						
	Reportable Segment						
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Bio-chemicals	Others (Note 1)	Adjustment (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	(Thousands of U.S. dollars)						
Sales							
Unaffiliated customers	**$9,838,507**	**$3,873,180**	**$ 6,691,972**	**$3,730,376**	**$1,116,308**	**$ -**	**$25,250,369**
Less liquor taxes	**3,641,903**	**-**	**-**	**-**	**2,691**	**-**	**3,644,594**
Net sales	**6,196,604**	**3,873,180**	**6,691,972**	**3,730,376**	**1,113,617**	**-**	**21,605,763**
Inter-segment	**442,145**	**22,580**	**14,668**	**117,602**	**283,760**	**(880,780)**	**-**
Total sales	**6,638,750**	**3,895,772**	**6,706,641**	**3,847,978**	**1,397,378**	**(880,780)**	**21,605,763**
Segment income	**731,774**	**51,397**	**318,895**	**641,060**	**56,190**	**(31,924)**	**1,767,405**
Segment assets	**6,444,721**	**2,488,623**	**15,361,884**	**7,674,647**	**1,425,456**	**689,431**	**34,084,788**
Other items							
Depreciation and amortization	**335,908**	**128,540**	**385,585**	**241,441**	**91,152**	**11,931**	**1,194,594**
Amortization of goodwill	**2,206**	**28,112**	**352,691**	**105,717**	**7,137**	**-**	**495,888**
Investments in equity-method affiliates	**16,724**	**5,659**	**1,843,451**	**388,935**	**45,830**	**-**	**2,300,635**
Increase of property, plant and equipment and intangible assets	**$ 207,068**	**$ 165,500**	**$ 397,343**	**$ 317,394**	**$ 94,814**	**$ (1,420)**	**$ 1,180,723**

Notes:

1. “Others” includes food business, such as seasonings, and others.
2. The adjustments are as follows:
   (1) The negative ¥2,764 million ($31,924 thousand) adjustment in segment income includes ¥19,281 million ($222,695 thousand) in inter-segment eliminations and negative ¥22,046 million ($254,631 thousand) in corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses due to the Company’s transfer to a pure holding company and research and development expenses for basic technologies.
   (2) The ¥59,691 million ($689,431 thousand) adjustment in segment assets includes negative ¥ 369,002 million ($4,261,977 thousand) in inter-segment asset and liability eliminations and ¥ 428,693 million ($4,951,409 thousand) in corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (investment securities) of the Company, and assets which belong to the administrative department of the Company, a pure holding company.
   (3) The ¥1,033 million ($11,931 thousand) adjustment in depreciation and amortization mainly consists of depreciation and amortization of corporate assets.
   (4) The negative ¥123 million ($1,420 thousand) adjustment in increase of property, plant and equipment and intangible assets includes negative ¥515 million ($5,948 thousand) in inter-segment asset and liability eliminations and ¥392 million ($4,527 thousand) in the purchases of property, plant and equipment and intangible assets that are treated as corporate assets.
3. Segment income is reconciled to operating income in the consolidated statements of income.

Year ended December 31, 2011							
	Reportable Segment						
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Bio-chemicals	Others (Note 1)	Adjustment (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	(Millions of yen)						
Sales							
Unaffiliated customers	¥868,233	¥314,568	¥454,216	¥332,843	¥101,912	¥ -	¥2,071,774
Less liquor taxes	323,129	-	-	-	246	-	323,375
Net sales	545,104	314,568	454,216	332,843	101,665	-	1,748,398
Inter-segment	36,222	2,865	974	10,879	28,767	(79,710)	-
Total sales	581,326	317,434	455,190	343,722	130,433	(79,710)	1,748,399
Segment income	70,580	2,802	15,388	49,447	6,259	(1,613)	142,864
Segment assets	563,296	207,055	1,239,872	639,704	236,584	(32,259)	2,854,254
Other items							
Depreciation and amortization	31,995	12,463	26,941	22,833	8,450	1,186	103,871
Amortization of goodwill	223	2,630	26,185	7,659	754	-	37,453
Investments in equity-method affiliates	1,397	744	165,107	30,894	88,735	-	286,878
Increase of property, plant and equipment and intangible assets	¥ 22,785	¥ 7,849	¥ 20,917	¥ 19,528	¥ 6,292	¥ 695	¥ 78,069

Notes:

1. “Others” includes food business, such as seasonings, and others.
2. The adjustments are as follows:
   (1) The negative ¥1,613 million adjustment in segment income includes ¥19,503 million in inter-segment eliminations and negative ¥21,117 million in corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses due to the Company’s transfer to a pure holding company and research and development expenses for basic technologies.
   (2) The negative ¥32,259 million adjustment in segment assets includes negative ¥ 307,181 million in inter-segment asset and liability eliminations and ¥ 274,921 million in corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (investment securities) of the Company, and assets which belong to the administrative department of the Company, a pure holding company.
   (3) The ¥1,186 million adjustment in depreciation and amortization mainly consists of depreciation and amortization of corporate assets.
   (4) The ¥ 695 million adjustment in increase of property, plant and equipment and intangible assets mainly consists of the purchases of property, plant and equipment and intangible assets that are treated as corporate assets.
3. Segment income is reconciled to operating income in the consolidated statements of income.

3. Related Information

(1) Information by product and service

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

(2) Information by region

(i) Sales

Year ended December 31, 2012

Japan	Asia/Oceania	Others	Total	Japan	Asia/Oceania	Others	Total
(Millions of yen)				(Thousands of U.S. dollars)			
¥1,520,757	**¥427,299**	**¥238,121**	**¥2,186,177**	**$17,564,760**	**$4,935,308**	**$2,750,300**	**$25,250,369**

Year ended December 31, 2011

Japan	Asia/Oceania	Others	Total
(Millions of yen)			
¥1,531,467	¥461,325	¥78,980	¥2,071,774

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

(ii) Property, Plant and Equipment

December 31, 2012

Japan	Asia/Oceania	Others	Total	Japan	Asia/Oceania	Others	Total
(Millions of yen)				(Thousands of U.S. dollars)			
¥440,376	**¥167,611**	**¥155,449**	**¥763,437**	**$5,086,347**	**$1,935,908**	**$1,795,437**	**$8,817,706**

December 31, 2011

Japan	Asia/Oceania	Others	Total
(Millions of yen)			
¥481,116	¥153,260	¥129,455	¥763,833

(3) Information by major customer

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

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

Year ended December 31, 2012

	Reportable Segment				Others	Adjustment	Total
	Domestic Beverages		Overseas Beverages	Pharmaceuticals and Bio-chemicals			
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages					
	(Millions of yen)						
Loss on impairment	**¥1,260**	**¥ -**	**¥2,717**	**¥1,341**	**¥4,528**	**¥ -**	**¥9,848**

Notes:

1. In addition, loss on impairment of ¥4,718 million which was recognized in the “Overseas Beverages” segment is included in “Business restructuring expense” in “Special expenses” in the consolidated statement of income.
2. “Others” includes food business, such as seasonings, and others.

Year ended December 31, 2012

	Reportable Segment				Others	Adjustment	Total
	Domestic Beverages		Overseas Beverages	Pharmaceuticals and Bio-chemicals			
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages					
	(Thousands of U.S. dollars)						
Loss on impairment	**$14,553**	**$ -**	**$31,381**	**$15,488**	**$52,298**	**$ -**	**$113,744**

Notes:

1. In addition, loss on impairment of $54,492 thousand which was recognized in the "Overseas Beverages" segment is included in "Business restructuring expense" in "Special expenses" in the consolidated statement of income.
2. "Others" includes food business, such as seasonings, and others.

Year ended December 31, 2011

	Reportable Segment						
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Bio-chemicals	Others	Adjustment	Total
	(Millions of yen)						
Loss on impairment	¥7,084	¥11	¥8,888	¥769	¥26	¥115	¥16,895

Note: "Others" includes food business, such as seasonings, and others.

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

December 31, 2012

	Reportable Segment						
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Bio-chemicals	Others	Adjustment	Total
	(Millions of yen)						
Balance at the end of current period	**¥1,751**	**¥27,311**	**¥478,695**	**¥125,046**	**¥9,385**	**¥ -**	**¥642,190**

Note: Information about amortization of goodwill is omitted since similar information is disclosed in the segment information.

Note: "Others" includes food business, such as seasonings, and others.

December 31, 2012

	Reportable Segment						
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Bio-chemicals	Others	Adjustment	Total
	(Thousands of U.S. dollars)						
Balance at the end of current period	**$20,224**	**$315,442**	**$5,528,932**	**$1,444,282**	**$108,396**	**$ -**	**$7,417,301**

Note: Information about amortization of goodwill is omitted since similar information is disclosed in the segment information.

Note: "Others" includes food business, such as seasonings, and others.

December 31, 2011

	Reportable Segment						
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Bio-chemicals	Others	Adjustment	Total
	(Millions of yen)						
Balance at the end of current period	¥1,942	¥29,979	¥541,913	¥129,909	¥10,004	¥ -	¥713,749

Note: Information about amortization of goodwill is omitted since similar information is disclosed in the segment information.

Note: "Others" includes food business, such as seasonings, and others.

6. Information about gain on bargain purchase by reportable segment

There are no material amounts to report for the years ended December 31, 2012 and 2011.

15. LEASE TRANSACTIONS

(a) Finance leases-Lessee

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

(b) Operating leases

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

	December 31,		December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
As a lessee			
Due within one year	**¥ 4,059**	¥ 5,772	**$ 46,881**
Due over one year	**17,352**	18,249	**200,415**
Total	**21,412**	24,021	**247,308**
As a lessor			
Due within one year	**221**	202	**2,552**
Due over one year	**2,776**	2,687	**32,062**
Total	**¥ 2,998**	¥ 2,890	**$ 34,626**

16. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates as of December 31, 2012 and 2011 were as follows:

	Years ended December 31,		Year ended December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Investment securities (Shares)	**¥200,794**	¥290,672	**$2,319,173**
Investment securities (Bonds)	**1,566**	-	**18,087**
Investments and other assets—other (Equity interests other than shares)	**399**	1,656	**4,608**
Of which, investment in jointly controlled companies	**¥ 29,525**	¥ 30,174	**$ 341,014**

17. NET ASSETS

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

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

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

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

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

Year ended December 31, 2012

1. Type and number of shares outstanding and treasury stock

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of January 1, 2012	965,000,000	3,268,428
Increase during the period	-	311,192
Decrease during the period	-	77,556
Number of shares as of December 31, 2012	965,000,000	3,502,064

Notes:
1. Increase in the number of treasury stock was due to the following reasons:
   - Acquisition of less-than-one-unit shares: 311,192 shares
2. Decrease in the number of treasury stock was due to the following reasons:
   - Sales of less-than-one-unit shares: 77,556 shares

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

Description of subscription rights	Subscription rights as stock options
Type of shares for subscription rights	-
Number of shares for subscription rights	
Number of shares as of January 1, 2012	-
Increase during the period	-
Decrease during the period	-
Number of shares as of December 31, 2012	-
Amount outstanding as of December 31, 2012	**¥203 million ($2,344 thousand)**

3. Matters related to dividends

(1) Dividend payments

Approvals by the Annual General Meeting of Shareholders held on March 29, 2012 were as follows:

Dividend on common stock

a. Total amount of dividend	¥12,983 million ($149,953 thousand)
b. Dividend per share	¥13.50 ($0.15)
c. Record date	December 31, 2011
d. Effective date	March 30, 2012

Approvals by the Board of Directors Meeting held on August 3, 2012 were as follows:

Dividend on common stock

a. Total amount of dividend	¥12,983 million ($149,953 thousand)
b. Dividend per share	¥13.50 ($0.15)
c. Record date	June 30, 2012
d. Effective date	September 10, 2012

(2) Dividends whose record date is attributable to, but to be effective after, the year
The Company received the approval at the Annual General Meeting of Shareholders held on March 28, 2013 as follows:
Dividend on common stock

a. Total amount of dividend	¥14,903 million ($172,129 thousand)
b. Funds for dividend	Retained earnings
c. Dividend per share	¥15.50 ($0.17)
d. Record date	December 31, 2012
e. Effective date	March 29, 2013

Year ended December 31, 2011

1. Type and number of shares outstanding and treasury stock

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of January 1, 2011	965,000,000	3,010,208
Increase during the period	-	504,922
Decrease during the period	-	246,702
Number of shares as of December 31, 2011	965,000,000	3,268,428

Notes:
1. Increase in the number of treasury stock was due to the following reasons:
   - Acquisition of less-than-one-unit shares: 344,922 shares
   - Acquisition from opposing shareholders pursuant to Article 797, Paragraph (1) of the Japanese Corporate Law: 160,000 shares
2. Decrease in the number of treasury stock was due to the following reasons:
   - Sales of less-than-one-unit shares: 233,929 shares
   - Sales of treasury stock by unconsolidated subsidiaries accounted for by the equity method: 12,514 shares
   - Decrease due to exclusion of affiliated companies accounted for by the equity method: 259 shares

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

Description of subscription rights	Subscription rights as stock options
Type of shares for subscription rights	-
Number of shares for subscription rights	
Number of shares as of January 1, 2011	-
Increase during the period	-
Decrease during the period	-
Number of shares as of December 31, 2011	-
Amount outstanding as of December 31, 2011	¥250 million

3. Matters related to dividends
(1) Dividend payments
Approvals by the Annual General Meeting of Shareholders held on March 29, 2011 were as follows:
Dividend on common stock

a. Total amount of dividend	¥12,025 million
b. Dividend per share	¥12.50
c. Record date	December 31, 2010
d. Effective date	March 30, 2011

Approvals by the Board of Directors Meeting held on August 5, 2011 were as follows:
Dividend on common stock

a. Total amount of dividend	¥12,984 million
b. Dividend per share	¥13.50
c. Record date	June 30, 2011
d. Effective date	September 5, 2011

(2) Dividends whose record date is attributable to, but to be effective after, the year
The Company received the approval at the Annual General Meeting of Shareholders held on March 29, 2012 as follows:
Dividend on common stock

a. Total amount of dividend	¥12,983 million
b. Funds for dividend	Retained earnings
c. Dividend per share	¥13.50
d. Record date	December 31, 2011
e. Effective date	March 30, 2012

19. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash

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

	December 31,		December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and time deposits	**¥83,916**	¥76,218	**$969,230**
Marketable securities	**13,942**	6,352	**161,030**
Fixed term deposits over three months	**(5,874)**	(5,606)	**(67,844)**
Equity securities, bonds and others with maturities exceeding three months	**(13,942)**	(6,117)	**(161,030)**
Cash and cash equivalents	**¥78,041**	¥70,847	**$901,374**

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

The information for the fiscal year ended December 31, 2012 is omitted since the aggregate value is immaterial.

Assets and liabilities of subsidiaries at the time they were excluded from the scope of consolidation, related sale price of shares and proceeds (net) from sale of shares for the fiscal year ended December 31, 2011 are as follows:

	(Millions of yen)
Current assets	¥ 56,348
Non-current assets	55,765
Current liabilities	(59,255)
Non-current liabilities	(8,580)
Foreign currency translation adjustments	1,990
Minority interest	(89)
Net gain on sale of shares	9,539
Sales price of shares	55,718
Collection of loans receivable	20,700
Accounts receivable	(417)
Cash and cash equivalents of companies excluded from the scope of consolidation	(5,577)
Proceeds from sales of shares of subsidiaries excluded from the scope of consolidation	¥ 70,423

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

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

	December 31,		December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Current assets	**¥ 1,503**	¥ 62,106	**$ 17,359**
Non-current assets	**8,704**	153,514	**100,531**
Goodwill	**23,698**	214,640	**273,712**
Current liabilities	**(1,637)**	(63,797)	**(18,907)**
Non-current liabilities	**(3,230)**	(63,180)	**(37,306)**
Foreign currency translation adjustments	**25**	44,288	**288**
Minority interest	**-**	(121)	**-**
Acquisition cost of shares	**29,062**	347,449	**335,666**
Amounts payable	**(18,511)**	-	**(213,802)**
Previously held equity interest before obtaining control	**(2,175)**	-	**(25,121)**
Gain on step acquisitions	**(8,206)**	-	**(94,779)**
Cash and cash equivalents of the acquired companies	**(57)**	(3,094)	**(658)**
Payment for acquisition of shares of newly consolidated subsidiaries	**¥ 111**	¥344,355	**$ 1,282**

20. INCOME TAXES

Significant components of deferred tax assets and liabilities as of December 31, 2012 and 2011 were as follows:

	December 31,		December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Loss carried forward	**¥ 48,036**	¥ 45,878	**$ 554,816**
Employees' pension and retirement benefits	**23,323**	23,018	**269,380**
Depreciation	**15,924**	15,565	**183,922**
Deemed dividend	**8,455**	8,455	**97,655**
Long-term accrued expenses	**5,240**	5,595	**60,522**
Loss on impairment of property, plant and equipment and intangible assets	**4,923**	5,397	**56,860**
Deferred assets	**4,600**	5,267	**53,130**
Other	**80,855**	76,224	**933,876**
Sub-total	**191,360**	185,402	**2,210,210**
Less valuation allowance	**(76,816)**	(72,742)	**(887,225)**
Total deferred tax assets	**114,543**	112,660	**1,322,972**
Deferred tax liabilities:			
Adjustment of carrying amount based on fair value	**(56,733)**	(21,912)	**(655,266)**
Net unrealized gains on securities	**(30,902)**	(5,812)	**(356,918)**
Revaluation of property of foreign subsidiaries	**(14,810)**	(15,780)	**(171,055)**
Reserve for deferred gains on sale of property	**(10,567)**	(10,843)	**(122,048)**
Other	**(14,271)**	(11,591)	**(164,830)**
Total deferred tax liabilities	**(127,285)**	(65,940)	**(1,470,143)**
Net deferred tax assets (liabilities)	**(12,741)**	46,719	**(147,158)**
Deferred tax asset due to land revaluation:			
Deferred tax asset due to land revaluation	**540**	540	**6,237**
Less valuation allowance	**(540)**	(540)	**(6,237)**
Total deferred tax asset due to land revaluation	-	-	-
Deferred tax liability due to land revaluation:			
Deferred tax liability due to land revaluation	**(1,361)**	(1,286)	**(15,719)**
Net deferred tax liability due to land revaluation	**¥ (1,361)**	¥ (1,286)	**$ (15,719)**

Deferred tax assets and liabilities were included in the consolidated balance sheets as of December 31, 2012 and 2011 as follows:

	December 31, 2012	December 31, 2011	December 31, 2012
	(Millions of yen)		(Thousands of U.S. dollars)
Current assets — Deferred tax assets	**¥ 25,277**	¥ 26,303	**$ 291,949**
Non-current assets — Deferred tax assets	**47,299**	42,234	**546,303**
Current liabilities — Other	**(50)**	(6)	**(577)**
Non-current liabilities — Deferred tax liabilities	**¥(85,268)**	¥(21,811)	**$(984,846)**

The Company is subject to a national corporate tax, an inhabitant tax and deductible enterprise tax, which in the aggregate resulted in the statutory tax rate of approximately 40.7% for the years ended December 31, 2012 and 2011.
The following table summarizes significant differences between the statutory tax rate and the effective tax rate for the years ended December 31, 2012 and 2011:

	2012	2011
	(%)	(%)
Statutory tax rate	**40.7**	40.7
Adjustments		
Permanent difference - expenses	**6.8**	7.1
Amortization of intangible assets	**14.1**	22.7
Equity in losses (earnings) of affiliates	**0.2**	(5.1)
Change in valuation allowance	**0.1**	14.1
Tax benefits of foreign subsidiaries	**(5.5)**	-
Difference in tax rate between the Company and its consolidated subsidiaries	**(3.4)**	(1.6)
Tax credits	**(3.0)**	(5.2)
Effect of consolidation journal entries	**(3.2)**	(2.9)
Others	**(1.8)**	2.8
Effective tax rate	**45.0**	72.6

21. FINANCIAL INSTRUMENTS

1. Overview of financial instruments

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risks

Trade receivables, such as trade notes and accounts receivable, are exposed to customer credit risk. Trade receivables denominated in foreign currencies arising from global business development are exposed to foreign currency exchange risk. Marketable securities and investment securities, which mainly consist of stocks issued by companies with which the Company and its consolidated subsidiaries have business relationships, are exposed to market risk.
Substantially all trade payables, such as trade notes and accounts payable, have payment due dates within one year. Some trade payables denominated in foreign currencies arising from import of raw materials are exposed to foreign currency exchange risk.
The purpose of short-term loans payable and commercial paper is mainly to fund short-term working capital and the purpose of long-term debt and loans is mainly to fund the necessary amounts for investments and long-term working capital. Some loans payable bear variable interest rates and are exposed to interest rate fluctuation risk.
Regarding derivatives, the Company and its consolidated subsidiaries enter into forward foreign exchange contracts and currency swaps for the purpose of hedging foreign currency exchange risk deriving from trade receivables and payables denominated in foreign currencies and loans to group companies, and interest rate swaps, interest rate cap contracts and interest rate floor contracts for the purpose of hedging interest rate fluctuation risk deriving from interest payments on debt. Please refer to Note 2 (22) for hedging instruments and hedged items, hedging policy and method to evaluate hedging effectiveness.

(3) Risk management for financial instruments

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

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

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

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

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

2. Fair values of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of December 31, 2012 and 2011, their fair values, and the differences. Financial instruments whose fair values are deemed extremely difficult to assess are not included.

	December 31, 2012					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Assets						
(1) Cash	**¥ 83,916**	**¥ 83,916**	**¥ -**	**$ 969,230**	**$ 969,230**	**$ -**
(2) Notes and accounts receivable, trade	**413,138**	**413,138**	**-**	**4,771,748**	**4,771,748**	**-**
(3) Marketable and investment securities						
a. Held-to-maturity debt securities	**110**	**110**	**0**	**1,270**	**1,270**	**0**
b. Equity securities issued by affiliates	**116,617**	**465,376**	**348,759**	**1,346,927**	**5,375,098**	**4,028,170**
c. Available-for-sale securities	**267,082**	**267,082**	**-**	**3,084,800**	**3,084,800**	**-**
Total	**880,864**	**1,229,624**	**348,759**	**10,173,989**	**14,202,171**	**4,028,170**
Liabilities						
(1) Notes and accounts payable, trade	**151,184**	**151,184**	**-**	**1,746,176**	**1,746,176**	**-**
(2) Short-term loans payable and long-term debt with current maturities	**37,048**	**37,048**	**-**	**427,904**	**427,904**	**-**
(3) Commercial paper	**77,994**	**77,994**	**-**	**900,831**	**900,831**	**-**
(4) Bonds due within one year	**79,998**	**80,152**	**153**	**923,977**	**925,756**	**1,767**
(5) Liquor taxes payable	**86,262**	**86,262**	**-**	**996,327**	**996,327**	**-**
(6) Income taxes payable	**39,206**	**39,206**	**-**	**452,829**	**452,829**	**-**
(7) Bonds	**285,579**	**299,264**	**13,685**	**3,298,440**	**3,456,502**	**158,061**
(8) Long-term debt	**483,005**	**488,410**	**5,405**	**5,578,713**	**5,641,141**	**62,427**
Total	**1,240,281**	**1,259,524**	**19,243**	**14,325,259**	**14,547,516**	**222,256**
Derivative transactions (*)	**¥ (18,611)**	**¥ (18,611)**	**¥ -**	**$ (214,957)**	**$ (214,957)**	**$ -**

	December 31, 2011		
	Carrying amount	Fair value	Difference
	(Millions of yen)		
Assets			
(1) Cash	¥ 76,218	¥ 76,218	¥ -
(2) Notes and accounts receivable, trade	406,448	406,448	-
(3) Marketable and investment securities			
a. Held-to-maturity debt securities	310	312	2
b. Equity securities issued by affiliates	205,213	471,978	266,765
c. Available-for-sale securities	113,247	113,247	-
Total	801,438	1,068,206	266,767
Liabilities			
(1) Notes and accounts payable, trade	146,955	146,955	-
(2) Short-term loans payable and long-term debt with current maturities	85,517	85,517	-
(3) Commercial paper	121,989	121,989	-
(4) Bonds due within one year	23,111	23,300	188
(5) Liquor taxes payable	91,800	91,800	-
(6) Income taxes payable	26,783	26,783	-
(7) Bonds	365,487	377,803	12,316
(8) Long-term debt	468,999	473,735	4,736
Total	1,330,644	1,347,886	17,241
Derivative transactions (*)	¥ (5,733)	¥ (5,733)	¥ -

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

Notes:

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

Assets

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

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

(3) Marketable securities and investment securities

The fair values of equity securities are measured based on quoted market prices. The fair values of bond securities are measured by the prices obtained from financial institutions. Please refer to Note 13 for matters relating to securities by categories.

Liabilities

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

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

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

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

(8) Long-term debt

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

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

	December 31, 2012	December 31, 2011	December 31, 2012
	(Millions of yen)		(Thousands of U.S. dollars)
Investment securities			
a. Unlisted equity securities (Equity securities issued by affiliates and others)	**¥84,177**	¥85,459	**$972,245**
b. Unlisted equity securities (Other securities)	**21,080**	19,709	**243,474**
c. Other	**31**	31	**358**
Investment and other assets - other			
Investments in equity of affiliates and others	**399**	1,656	**4,608**
Long-term deposits received	**¥67,338**	¥73,222	**$777,754**

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

3. Redemption schedules for monetary receivables and marketable securities with maturities as of December 31, 2012 and 2011 are as follows:

December 31, 2012	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	(Millions of yen)				(Thousands of U.S. dollars)			
Cash and time deposits	**¥ 83,916**	**¥ -**	**¥ -**	**¥ -**	**$ 969,230**	**$ -**	**$ -**	**$ -**
Notes and accounts receivable, trade	**413,138**	**-**	**-**	**-**	**4,771,748**	**-**	**-**	**-**
Marketable and investment securities								
Held-to-maturity debt securities								
Governmental/municipal bonds	**80**	**30**	**-**	**-**	**924**	**346**	**-**	**-**
Available-for-sale securities with maturity								
Debt securities (others)	**5,683**	**8,179**	**-**	**-**	**65,638**	**94,467**	**-**	**-**
Total	**¥502,818**	**¥8,209**	**¥ -**	**¥ -**	**$5,807,553**	**$94,814**	**$ -**	**$ -**

December 31, 2011	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	(Millions of yen)			
Cash and time deposits	¥ 76,218	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	406,448	-	-	-
Marketable and investment securities				
Held-to-maturity debt securities				
Governmental/municipal bonds	200	110	-	-
Available-for-sale securities with maturity				
Debt securities (others)	2,647	2,163	-	-
Others	756	331	-	-
Total	¥486,271	¥2,604	¥ -	¥ -

4. Please refer to Note 3 for the aggregate annual maturities of long-term debt, bonds and finance lease obligation as of December 31, 2012 and 2011.

22. DERIVATIVE TRANSACTIONS

1. Notional amount and fair value of derivative transactions for which hedge accounting has not been applied for the years ended December 31, 2012 and 2011 are summarized as follows:

Currency-related transactions

		December 31, 2012							
Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		(Millions of yen)				(Thousands of U.S. dollars)			
Non-market transactions	Forward foreign exchange contracts								
	Sell								
	USD	**¥ 3,296**	**¥ -**	**¥(287)**	**¥(287)**	**$ 38,068**	**$ -**	**$(3,314)**	**$(3,314)**
	EUR	**1,597**	**-**	**(177)**	**(177)**	**18,445**	**-**	**(2,044)**	**(2,044)**
	Buy								
	USD	**354**	**-**	**0**	**0**	**4,088**	**-**	**0**	**0**
	JPY	**63**	**-**	**(2)**	**(2)**	**727**	**-**	**(23)**	**(23)**
	Currency swap								
	Receive JPY, pay USD	**8,086**	**-**	**(138)**	**(138)**	**93,393**	**-**	**(1,593)**	**(1,593)**
	Receive JPY, pay GBP	**8,907**	**-**	**164**	**164**	**102,875**	**-**	**1,894**	**1,894**
	Receive JPY, pay AUD	**4,236**	**-**	**(72)**	**(72)**	**48,925**	**-**	**(831)**	**(831)**
Total		**¥26,541**	**¥ -**	**¥(513)**	**¥(513)**	**$306,548**	**$ -**	**$(5,925)**	**$(5,925)**

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

		December 31, 2011			
Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		(Millions of yen)			
Non-market transactions	Forward foreign exchange contracts				
	Sell				
	USD	¥ 2,727	¥ -	¥ (2)	¥ (2)
	EUR	1,309	-	47	47
	Buy				
	USD	604	-	57	57
	EUR	106	-	4	4
	Currency swap				
	Receive JPY, pay USD	7,774	-	2	2
	Receive JPY, pay GBP	7,129	-	43	43
	Receive USD, pay BRL	3,781	-	350	350
Total		¥23,433	¥ -	¥501	¥501

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

Interest-rate related transactions

There was no outstanding interest-rate related transaction as of December 31, 2012.

		December 31, 2011			
Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		(Millions of yen)			
Non-market transactions	Interest rate swap				
	Receive fixed, pay floating	¥ 888	¥ -	¥7	¥7
	Receive floating, pay fixed	888	-	(8)	(8)
Total		¥1,777	¥ -	¥(1)	¥(1)

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

Commodity-related transactions

		December 31, 2012							
Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		(Millions of yen)				(Thousands of U.S. dollars)			
Non-market transactions	Commodity swap								
	Receive floating, pay fixed	**¥552**	**¥ -**	**¥(1)**	**¥(1)**	**$6,375**	**$ -**	**$(11)**	**$(11)**
Total		**¥552**	**¥ -**	**¥(1)**	**¥(1)**	**$6,375**	**$ -**	**$(11)**	**$(11)**

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

		December 31, 2011			
Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		(Millions of yen)			
Non-market transactions	Commodity swap				
	Receive floating, pay fixed	¥751	¥ -	¥(196)	¥(196)
Total		¥751	¥ -	¥(196)	¥(196)

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

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

Currency-related transactions

Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair value	Notional amount	Portion due after one year included therein	Fair value
		December 31, 2012					
		(Millions of yen)			(Thousands of U.S. dollars)		
Derivative transactions for which deferral hedge accounting has been applied							
Forward foreign exchange contracts	Future transactions in foreign currency						
Sell							
SGD		**¥ 83,291**	**¥ -**	**¥ (9,046)**	**$ 962,012**	**$ -**	**$(104,481)**
NZD		**6,757**	**-**	**(111)**	**78,043**	**-**	**(1,282)**
GBP		**852**	**-**	**16**	**9,840**	**-**	**184**
AUD		**362**	**-**	**13**	**4,181**	**-**	**150**
Other		**24**	**-**	**0**	**277**	**-**	**0**
Buy							
USD		**18,691**	**3,088**	**(19)**	**215,881**	**35,666**	**(219)**
EUR		**3,036**	**35**	**(280)**	**35,065**	**404**	**(3,234)**
Currency swap	Debt and bonds						
Receive USD, pay AUD		**25,153**	**25,153**	**(7,936)**	**290,517**	**290,517**	**(91,660)**
Receive JPY, pay AUD		**27,738**	**27,738**	**2,447**	**320,374**	**320,374**	**28,262**
Derivative transactions for which appropriation treatment has been applied							
Forward foreign exchange contracts	Payables						
Buy							
USD		**56**	**-**	**Note 2**	**646**	**-**	**Note 2**
Currency swap	Long-term debt						
Receive USD, pay JPY		**90,000**	**90,000**	**Note 3**	**1,039,501**	**1,039,501**	**Note 3**
Total		**¥255,966**	**¥146,015**	**¥(14,915)**	**$2,956,410**	**$1,686,474**	**$(172,268)**

Notes:

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

Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair Value
		December 31, 2011		
			(Millions of yen)	
Derivative transactions for which deferral hedge accounting has been applied				
Forward foreign exchange contracts	Future transactions in foreign currency			
Sell				
NZD		¥ 9,762	¥ -	¥ 103
GBP		722	-	(23)
AUD		686	-	19
USD		644	-	23
Other		569	-	(0)
Buy				
USD		11,260	955	15
EUR		4,254	550	(56)
Currency swap	Debt and bonds			
Receive USD, pay AUD		27,830	23,308	(7,571)
Receive JPY, pay AUD		25,704	25,704	4,854
Derivative transactions for which appropriation treatment has been applied				
Forward foreign exchange contracts	Payables			
Buy				
USD		46	-	Note 2
Currency swap	Long-term debt			
Receive USD, pay JPY		90,000	90,000	Note 3
Total		¥171,482	¥140,519	¥(2,635)

Notes:

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

Interest-rate related transactions

Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair value	Notional amount	Portion due after one year included therein	Fair value
		December 31, 2012					
		(Millions of yen)			(Thousands of U.S. dollars)		
Derivative transactions for which deferral hedge accounting has been applied							
Interest rate swap	Debt and bonds						
Receive floating, pay fixed		**¥ 49,624**	**¥ 43,890**	**¥(2,913)**	**$ 573,157**	**$ 506,930**	**$(33,645)**
Interest rate cap							
Buy		**6,488**	**-**	**0**	**74,936**	**-**	**0**
Interest rate floor							
Sell		**6,488**	**-**	**(251)**	**74,936**	**-**	**(2,899)**
Derivative transactions for which special treatment has been applied							
Interest rate swap	Long-term debt						
Receive floating, pay fixed		**280,600**	**280,600**	**Note 2**	**3,240,933**	**3,240,933**	**Note 2**
Total		**¥343,201**	**¥324,490**	**¥(3,165)**	**$3,963,975**	**$3,747,863**	**$(36,555)**

Notes:

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

Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair Value
		December 31, 2011		
		(Millions of yen)		
Derivative transactions for which deferral hedge accounting has been applied				
Interest rate swap	Debt and bonds			
Receive floating, pay fixed		¥ 70,297	¥ 57,889	¥(3,057)
Interest rate cap				
Buy		5,923	5,923	0
Interest rate floor				
Sell		5,923	5,923	(391)
Derivative transactions for which special treatment has been applied				
Interest rate swap	Long-term debt			
Receive floating, pay fixed		295,794	265,697	Note 2
Total		¥377,939	¥335,433	¥(3,448)

Notes:

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

Commodity-related transactions

Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair value	Notional amount	Portion due after one year included therein	Fair value
		December 31, 2012					
		(Millions of yen)			(Thousands of U.S. dollars)		
Derivative transactions for which deferral hedge accounting has been applied							
Commodity swap Receive floating, pay fixed	Sugar	**¥440**	**¥189**	**¥(15)**	**$5,082**	**$2,182**	**$(173)**
Total		**¥440**	**¥189**	**¥(15)**	**$5,082**	**$2,182**	**$(173)**

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

Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair Value
		December 31, 2011		
		(Millions of yen)		
Derivative transactions for which deferral hedge accounting has been applied				
Commodity swap Receive floating, pay fixed	Sugar	¥82	¥ -	¥46
Total		¥82	¥ -	¥46

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

23. EMPLOYEES' PENSION AND RETIREMENT BENEFITS

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

(a) Liabilities for employees' pension and retirement benefits

The liabilities for employees' pension and retirement benefits included in the liability section of the consolidated balance sheets as of December 31, 2012 and 2011 consisted of the following:

	December 31, **2012**	December 31, 2011	December 31, **2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Projected benefit obligation	**¥(305,147)**	**¥(298,939)**	**$(3,524,451)**
Fair value of plan assets	**200,506**	**182,230**	**2,315,846**
Unfunded pension obligation	**(104,640)**	**(116,708)**	**(1,208,593)**
Unrecognized actuarial differences	**46,979**	**59,262**	**542,607**
Unrecognized prior service cost (deduction of obligation)	**(959)**	**(1,248)**	**(11,076)**
Net amount	**(58,621)**	**(58,693)**	**(677,073)**
Prepaid pension cost	**5,423**	**6,822**	**62,635**
Employees' pension and retirement benefits	**¥ (64,045)**	**¥ (65,516)**	**$ (739,720)**

Certain consolidated subsidiaries calculated projected benefit obligations using a simplified method.

(b) Employees' pension and retirement benefits expenses

The employees' pension and retirement benefit expenses included in the consolidated statements of income for the years ended December 31, 2012 and 2011 consisted of the following:

	For the years ended December 31,		Year ended December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	**¥ 9,842**	¥ 9,519	**$113,675**
Interest cost	**6,544**	7,015	**75,583**
Expected return on plan assets	**(4,791)**	(4,948)	**(55,336)**
Amortization of actuarial differences	**8,996**	7,014	**103,903**
Amortization of prior service cost	**(300)**	(327)	**(3,465)**
Premium for defined contribution pension plans	**5,802**	4,128	**67,013**
Employees' pension and retirement benefit expenses	**¥26,093**	¥22,401	**$301,374**

Employees' contribution to the defined benefit corporate pension plan and others is excluded for the years ended December 31, 2012 and 2011. Employees' pension and retirement benefit expenses of consolidated subsidiaries calculated using a simplified method are included for the years ended December 31, 2012 and 2011.

In addition to the above employees' pension and retirement benefit expenses, additional employees' retirement benefits and others were recognized as "Loss on sale of shares of subsidiaries and affiliates" in special expenses amounting to ¥97 million ($1,120 thousand) for the year ended December 31, 2012, "Business restructuring expense" in special expenses, amounting to ¥2,060 million ($23,793 thousand) and ¥ 973 million for the years ended December 31, 2012 and 2011, respectively, and as "Other" in special expenses, amounting to ¥452 million ($5,220 thousand) and ¥1,509 million for the years ended December 31, 2012 and 2011, respectively. In addition, gain on the partial termination of retirement plan of certain subsidiaries and others were recognized as "Other" in special income, amounting to ¥480 million for the year ended December 31, 2011.

Actuarial assumptions used for the years ended December 31, 2012 and 2011 were as follows:

	December 31,	
	2012	2011
Discount rate	**Mainly 1.7-2.5%**	Mainly 1.7-2.5%
Expected rate of return on plan assets	**Mainly 2.5%**	Mainly 2.5%
Amortization of unrecognized prior service cost	**Mainly 5-15 years**	Mainly 5-15 years
Amortization of unrecognized actuarial differences	**Mainly 10-15 years**	Mainly 10-15 years

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

24. STOCK OPTIONS

1. Expenses related to stock option plans
   Expenses related to stock option plans for the years ended December 31, 2012 and 2011 recorded in selling, general and administrative expenses in the consolidated statements of income were ¥96 million ($1,108 thousand) and ¥86 million, respectively.

2. Stock options outstanding as of December 31, 2012 are as follows:

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

Stock Option	Grantees' Position	Number of Options Granted	Date of Grant	Exercise Price
2005 Stock Option	6 directors 13 managing officers	Common stock 133,000 shares	June 28, 2005	¥1 ($0.011)
2006 Stock Option	7 directors 11 managing officers	Common stock 111,000 shares	June 29, 2006	¥1 ($0.011)
2007 Stock Option	5 directors 13 managing officers	Common stock 92,000 shares	June 21, 2007	¥1 ($0.011)
2008 Stock Option	6 directors 14 managing officers	Common stock 91,000 shares	June 25, 2008	¥1 ($0.011)
2009 Stock Option	6 directors 8 managing officers	Common stock 93,000 shares	June 26, 2009	¥1 ($0.011)
2010 Stock Option	6 directors 11 managing officers	Common stock 85,000 shares	April 1, 2010	¥1 ($0.011)
2011 Stock Option	6 directors 14 managing officers	Common stock 119,000 shares	April 1, 2011	¥1 ($0.011)
2012 Stock Option	5 directors 17 managing officers	Common stock 126,000 shares	April 27, 2012	¥1 ($0.011)

Stock Option	Vesting condition	Applicable period of service	Exercisable period
2005 Stock Option	No provisions	No provisions	June 29, 2005 - June 28, 2025
2006 Stock Option	No provisions	No provisions	June 30, 2006 - June 28, 2026
2007 Stock Option	No provisions	No provisions	June 22, 2007 - June 20, 2027
2008 Stock Option	No provisions	No provisions	June 26, 2008 - June 24, 2028
2009 Stock Option	No provisions	No provisions	June 27, 2009 - June 25, 2029
2010 Stock Option	No provisions	No provisions	April 2, 2010 - March 24, 2030
2011 Stock Option	No provisions	No provisions	April 2, 2011 - March 24, 2031
2012 Stock Option	No provisions	No provisions	April 28, 2012 - March 22, 2032

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

Number and movement of stock options
The following tables are based on the stock options which existed as of December 31, 2012. The number of stock options is expressed in number of shares to be issued upon exercise.

Number of Stock Options

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested								
Outstanding at December 31, 2011	-	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-	**126,000**
Forfeited	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	**126,000**
Outstanding at December 31, 2012	-	-	-	-	-	-	-	-
Vested								
Outstanding at December 31, 2011	25,000	26,000	18,000	22,000	52,000	75,000	119,000	-
Vested	-	-	-	-	-	-	-	**126,000**
Exercised	19,000	21,000	18,000	22,000	28,000	31,000	39,000	-
Forfeited	-	-	-	-	-	-	-	-
Outstanding at December 31, 2012	6,000	5,000	-	-	24,000	44,000	80,000	**126,000**

3. Price information of stock options as of December 31, 2012

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option
Exercise price (yen)	1	1	1	1	1	1	1	**1**
Average market price of the stock at the time of exercise (yen)	882	882	882	882	882	882	882	**-**
Fair valuation price at the date of grant (yen)	-	705	1,140	1,038	1,014	940	741	**786**

4. Method of estimating the fair value of stock options

The fair value of the 2012 Stock Option is estimated using the Black-Scholes model. The following assumptions were used to determine the fair value.

Share price variability (Note 1)	6.0%
Projected remaining period (Note 2)	3 years
Projected dividend (Note 3)	¥20 per share
Risk-free interest rate (Note 4)	0.56%

Notes:

1. Calculated based on share price results over three years (from April 2009 to March 2012).
2. Calculated by subtracting the average years of service of present office holders from the average years of service of retirees over the past five years.
3. The projected dividend for the year ended December 31, 2012.
4. The rate of return on government bonds over the projected remaining period.

5. Method of reflecting expirations

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

25. REVALUATION OF LAND

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

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

	December 31,		December 31,
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Difference between the fair value and carrying amount of the revalued land	**¥5,381**	¥5,182	**$62,150**

26. RELATED PARTY TRANSACTIONS

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

2. Notes relating to the parent company and major affiliate
Summarized financial information of major affiliate
As of December 31, 2012 and 2011, SAN MIGUEL BREWERY INC. ("SAN MIGUEL"), whose fiscal year-end is December 31, is the major affiliate of the Company. SAN MIGUEL's summarized financial information is shown below. The balance sheet items are based on the position as of the third quarter end of SAN MIGUEL, and the statement of income items are based on the results of the 12 month period from the previous third quarter to the current third quarter of SAN MIGUEL, which are the amounts used in preparing the consolidated financial statements of the Company.

	December 31,		
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars)
Total current assets	**¥ 54,690**	¥ 48,161	**$ 631,670**
Total non-current assets	**105,030**	100,783	**1,213,097**
Total deferred assets	**12,934**	10,405	**149,387**
Total current liabilities	**19,812**	44,664	**228,828**
Total non-current liabilities	**97,501**	67,417	**1,126,137**
Total net assets	**55,340**	47,269	**639,177**
Sales	**137,035**	133,137	**1,582,755**
Income before income taxes and minority interests	**34,038**	24,090	**393,139**
Net income	**¥ 23,465**	¥ 17,309	**$ 271,021**

27. BUSINESS COMBINATIONS

Application of purchase method
The purchase price allocation for Brasil Kirin Group companies, which are consolidated subsidiaries, had been incomplete as of December 31, 2011 and was completed during the year ended December 31, 2012. Subsequently, the provisional amount of goodwill was adjusted as follows:

	(Millions of yen)	(Thousands of Brazil Real)	(Thousands of U.S. dollars)
Goodwill (provisional amount)	¥182,714	BRL 4,408,076	$2,110,348
Property, plant and equipment	(22,441)	(541,418)	(259,193)
Intangible assets	(73,646)	(1,776,748)	(850,612)
Deferred tax assets	(2,979)	(71,886)	(34,407)
Deferred tax liabilities	36,735	886,252	424,289
Reserve for loss on litigation	6,310	152,243	72,880
Retained earnings	(32,986)	(795,821)	(380,988)
Other	4,638	111,935	53,568
Goodwill (adjusted)	¥ 98,345	BRL 2,372,633	$1,135,885

28. SUBSEQUENT EVENTS

1. Sale of investment securities

On February 1, 2013, the Company decided to accept the tender offer for shares in Fraser and Neave Limited ("F&N") by TCC Assets Limited, and sold its entire holding of shares in F&N on February 15, 2013. Accordingly, the Company will report a gain on sale of investment securities under "Special income" for the year ending December 31, 2013.

(1) Buyer: TCC Assets Limited
(2) Date of sale: February 15, 2013
(3) Number of shares sold: 212,773,000 shares
(4) Sale value: SGD 2,031 million (SGD 9.55 per share)
(5) Estimated gain on sale: ¥47 billion ($542,850 thousand)

2. Changes in classification of segments

The reportable segments of the Kirin Group through the year ended December 31, 2012 were “Domestic Alcohol Beverages,” “Domestic Non-alcohol Beverages,” “Overseas Beverages” and “Pharmaceuticals and Bio-chemicals”. However, effective from the year ending December 31, 2013, the Company decided to change such segments to “Integrated Beverages-Japan,” “Integrated Beverages-Oceania,” “Integrated Beverages-Overseas-other” and “Pharmaceuticals and Bio-chemicals.”
This change is in conjunction with the establishment of Kirin Co., Ltd. in January 2013, as the regional headquarters in Japan, and the new management structure to promote the federal model management by the global headquarters, which is the Company, and respective regional headquarters located in Japan, Oceania, Brazil and Southeast Asia.
Major changes include the integration of the former “Domestic Alcohol Beverages” and “Domestic Non-alcohol Beverages” into “Integrated Beverages-Japan.” In addition, “Integrated Beverages-Oceania” which had been included under the former “Overseas Beverages,” has become an independent reportable segment, and the other regions will be included under “Integrated Beverages-Overseas-other.”
Pro-forma information about sales and segment income (loss) by reportable segment for the year ended December 31, 2012, if the new segmentation were applied, would be as follows:

	Year ended December 31, 2012						
	Reportable Segment						
	Integrated Beverages						
	Japan	Oceania	Overseas -other	Pharmaceuticals and Bio-chemicals	Others (Note 1)	Adjustment (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	(Millions of yen)						
Sales							
Unaffiliated customers	**¥1,190,001**	**¥396,617**	**¥180,439**	**¥322,976**	**¥96,142**	**¥ -**	**¥2,186,177**
Less liquor taxes	**315,316**	**-**	**-**	**-**	**233**	**-**	**315,549**
Net sales	**874,685**	**396,617**	**180,439**	**322,976**	**95,909**	**-**	**1,870,627**
Inter-segment	**16,048**	**74**	**160**	**10,182**	**4,257**	**(30,724)**	**-**
Total sales	**890,733**	**396,692**	**180,600**	**333,158**	**100,166**	**(30,724)**	**1,870,627**
Segment income	**¥ 68,948**	**¥ 20,571**	**¥ 7,069**	**¥ 55,503**	**¥ 3,780**	**¥ (2,851)**	**¥ 153,022**

	Year ended December 31, 2012						
	Reportable Segment						
	Integrated Beverages						
	Japan	Oceania	Overseas -other	Pharmaceuticals and Bio-chemicals	Others (Note 1)	Adjustment (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	(Thousands of U.S. dollars)						
Sales							
Unaffiliated customers	**$13,744,525**	**$4,580,930**	**$2,084,072**	**$3,730,376**	**$1,110,441**	**$ -**	**$25,250,369**
Less liquor taxes	**3,641,903**	**-**	**-**	**-**	**2,691**	**-**	**3,644,594**
Net sales	**10,102,621**	**4,580,930**	**2,084,072**	**3,730,376**	**1,107,750**	**-**	**21,605,763**
Inter-segment	**185,354**	**854**	**1,848**	**117,602**	**49,168**	**(354,862)**	**-**
Total sales	**10,287,976**	**4,581,797**	**2,085,932**	**3,847,978**	**1,156,918**	**(354,862)**	**21,605,763**
Segment income	**$ 796,350**	**$ 237,595**	**$ 81,647**	**$ 641,060**	**$ 43,659**	**$ (32,929)**	**$ 1,767,405**

Notes:

1. “Others” includes food business, such as seasonings, and others.
2. The negative ¥2,851 million ($32,929 thousand) adjustment in segment income includes ¥19,194 million ($221,690 thousand) in inter-segment eliminations and negative ¥22,046 million ($254,631 thousand) in corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses due to the Company’s transfer to a pure holding company and research and development expenses for basic technologies.
3. Segment income is reconciled to operating income in the consolidated statements of income.

3. Sale of shares in a subsidiary

The Company passed a resolution to sell all of the shares in Kirin Kyowa Foods Co., Ltd. (hereinafter, Kirin Kyowa Foods), which is its consolidated subsidiary, to Mitsubishi Corporation at the Board of Directors meeting held on March 18, 2013 and concluded a stock purchase agreement with Mitsubishi Corporation on the same date.
Through its wholly-owned subsidiary, Kirin Kyowa Foods, the Company has developed the seasonings and food ingredient business focusing on natural seasonings (yeast extract, amino acid and other extracts), brewed seasonings, "umami" seasonings/flavor enhancers and bakery materials. The food ingredient and additive market is expected to see high growth globally, particularly in China and other Asian countries, spurred by expansion of the processed food industry due to economic growth. In consideration of the future growth strategy for Kirin Kyowa Foods, the Company has decided to sell the business of Kirin Kyowa Foods to Mitsubishi Corporation. The Company has concluded that Kirin Kyowa Foods would be able to conduct diverse development and aim for further growth through cooperation with Mitsubishi Corporation and its related companies, with their strong global network, while playing a role as the core foodstuffs and seasoning materials business within Mitsubishi Corporation, a company which is expanding its business strengths in the food science field.

(1) Overview of the sale of shares

a. Name of the subsidiary and its business:
   Name: Kirin Kyowa Foods Co., Ltd.
   Business: Manufacture, sale, import and export of natural seasonings, brewed seasonings, "umami" seasonings, quality-improving agents, yeast-related ingredients, sweeteners, bakery materials, processing liquors and other food ingredients

b. Name of buyer: Mitsubishi Corporation
c. Main reason for sale: Please refer to the above.
d. Date of sale:
   1st sale (approx. 81% of all outstanding shares issued): July 1, 2013
   2nd sale (remaining shares): January 1, 2015 (schedule)
e. Overview of the transaction including legal forms:
   Legal form: Stock purchase agreement
   Total number of shares to be sold: 1,354 shares (all outstanding shares issued)
   Sales proceeds: ¥30,500 million ($352,275 thousand) (Sales proceeds may be adjusted based on the agreement.)
   Gain or loss on sale is expected to be immaterial.

(2) The reportable segment to which the subsidiary belongs in the disclosure of segment information is "Others".

4. Acquisition of treasury stock

Based on the provision of Article 156 of the Japanese Corporation Law ("the Law"), applied pursuant to Article 165, Paragraph 3 of the Law, at its meeting held on March 18, 2013, the Board of Directors of the Company passed a resolution to acquire the Company's treasury stock.

(1) Reason for acquisition:
To further enhance returns to shareholders

(2) Transaction details:

a. Class of shares to be acquired:	Common stock
b. Maximum number of shares to be acquired:	50,000,000 shares (representing 5.20% of total shares outstanding (excluding treasury shares))
c. Total cost of acquisition:	Up to ¥50 billion ($577,500 thousand)
d. Acquisition period:	March 19, 2013 – December 30, 2013

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Kirin Holdings Company, Limited (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at December 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 28 "Subsequent Events" to the consolidated financial statements as follows:

(1) The Company sold its entire holding of shares in Fraser and Neave Limited on February 15, 2013.
(2) The Company will change its classification of reportable segments effective from the year ending December 31, 2013.
(3) The Company passed a resolution at the Board of Directors meeting held on March 18, 2013 to sell all outstanding shares of its consolidated subsidiary, Kirin Kyowa Foods Co., Ltd., to Mitsubishi Corporation and concluded a stock purchase agreement on the same date.
(4) The Company passed a resolution at the Board of Directors meeting held on March 18, 2013 to acquire the Company's treasury stock.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

March 28, 2013
Tokyo, Japan