

# KIRIN HOLDINGS COMPANY, LIMITED

## SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008 (UNAUDITED)

February 10, 2009

(English Translation)

Fiscal year ended December 31, 2008

### KIRIN HOLDINGS COMPANY, LIMITED

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

|   |   |
|---|---|
| Code No.:   | 2503  |
| Shares Listed:  | Tokyo, Osaka, Nagoya, Fukuoka and Sapporo   |
| Representative:   | Mr. Kazuyasu Kato, President  |
| For further information, please contact:                  | Mr. Ippei Maeda, General Manager,<br>Corporate Communications<br>Telephone: 81- 3- 5540- 3455 from overseas |
| Scheduled date of regular<br>shareholders' meeting held:  | March 26, 2009  |
| Submission date of annual<br>securities report scheduled: | March 26, 2009  |
| Commencement date of dividend<br>distribution scheduled:  | March 27, 2009  |

### 1. Consolidated business results and financial positions for the current fiscal year (January 1, 2008 - December 31, 2008)

[Unit: Japanese yen (¥) ]

#### (1) Results of operations:

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

|                              | Sales<br>(¥ millions) | Percentage<br>change<br>(%) | Operating<br>income<br>(¥ millions) | Percentage<br>change<br>(%) | Ordinary<br>income<br>(¥ millions) | Percentage<br>change<br>(%) |
|------------------------------|-----------------------|-----------------------------|-------------------------------------|-----------------------------|------------------------------------|-----------------------------|
| Year ended December 31, 2008 | 2,303,569             | 27.9                        | 145,977                             | 21.0                        | 103,065                            | (16.5)                      |
| Year ended December 31, 2007 | 1,801,164             | 8.1                         | 120,608                             | 3.7                         | 123,389                            | 2.1                         |

|                              | Net income<br>(¥ millions) | Percentage<br>change<br>(%) | Net income<br>per share<br>(Primary)<br>(¥) | Net income<br>per share<br>(Diluted)<br>(¥) | Ratio of net<br>income to<br>shareholders'<br>equity<br>(%) | Ratio of<br>ordinary<br>income to<br>total assets<br>(%) | Ratio of<br>operating<br>income to<br>sales<br>(%) |
|------------------------------|----------------------------|-----------------------------|---|---|---|--|--|
| Year ended December 31, 2008 | 80,182                     | 20.2                        | 84.01                                       | -   | 8.1   | 4.1  | 6.3  |
| Year ended December 31, 2007 | 66,713                     | 24.7                        | 69.86                                       | -   | 6.5   | 5.6  | 6.7  |

Reference: Equity in earnings of affiliates      December 31, 2008      11,833 million yen  
    December 31, 2007      10,282 million yen

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

(2) Financial positions:

|                   | Total assets      | Net assets            | Ratio of equity to total assets | Net assets per share |
|-------------------|-------------------|-----------------------|---------------------------------|----------------------|
|                   | (¥ millions)      | (¥ millions)          | (%)                             | (¥)                  |
| December 31, 2008 | 2,619,623         | 1,149,998             | 35.4                            | 972.19               |
| December 31, 2007 | 2,469,667         | 1,099,555             | 42.7                            | 1,104.83             |
| Reference: Equity | December 31, 2008 | 927,812 million yen   |                                 |                      |
|                   | December 31, 2007 | 1,054,811 million yen |                                 |                      |

(3) Cash flows:

|                              | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|                              | (¥ millions)                         | (¥ millions)                         | (¥ millions)                         | (¥ millions)                               |
| Year ended December 31, 2008 | 131,281                              | (169,330)                            | 26,684                               | 68,457                                     |
| Year ended December 31, 2007 | 114,585                              | (269,621)                            | 121,555                              | 52,307                                     |

**2. Dividends**

| Record date                              | Dividends per share |         |               |          |                |
|--|---------------------|---------|---------------|----------|----------------|
|  | First quarter       | Interim | Third quarter | Year-end | Total (Annual) |
|  | (¥)                 | (¥)     | (¥)           | (¥)      | (¥)            |
| Year ended December 31, 2007             | -                   | 9.00    | -             | 12.00    | 21.00          |
| Year ended December 31, 2008             | -                   | 11.50   | -             | 11.50    | 23.00          |
| Year ending December 31, 2009 (Forecast) | -                   | 11.50   | -             | 11.50    | 23.00          |

| Record date                              | Total amount of dividends | Dividend pay-out ratio | Ratio of dividends to shareholders' equity |
|--|---------------------------|------------------------|--|
|  | (¥ millions)              | (%)                    | (%)  |
| Year ended December 31, 2007             | 20,051                    | 30.1                   | 2.0  |
| Year ended December 31, 2008             | 21,950                    | 27.4                   | 2.2  |
| Year ending December 31, 2009 (Forecast) | -                         | 38.5                   | -  |

**3. Forecast of consolidated business results for the next fiscal year  
(January 1, 2009 - December 31, 2009)**

|                               | Sales        | Percentage change | Operating income | Percentage change | Ordinary income | Percentage change |
|-------------------------------|--------------|-------------------|------------------|-------------------|-----------------|-------------------|
|                               | (¥ millions) | (%)               | (¥ millions)     | (%)               | (¥ millions)    | (%)               |
| 6 months ending June 30, 2009 | 1,070,000    | 2.1               | 36,000           | (24.3)            | 38,000          | (20.2)            |
| Year ending December 31, 2009 | 2,300,000    | (0.2)             | 121,000          | (17.1)            | 125,000         | 21.3              |

|                               | Net income   | Percentage change | Net income per share |
|-------------------------------|--------------|-------------------|----------------------|
|                               | (¥ millions) | (%)               | (¥)                  |
| 6 months ending June 30, 2009 | 10,000       | (87.7)            | 10.48                |
| Year ending December 31, 2009 | 57,000       | (28.9)            | 59.73                |

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

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

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries accompanying change in scope of consolidation): Yes

Increase 1 company

(Kyowa Hakko Kirin Co., Ltd.)

Decrease None

Note: For details, please refer to "Corporate Group" on page 18.

(2) Changes in accounting policies, procedures, and methods of presentation for preparing the consolidated financial statements

(those to be described in the section of Significant Accounting Policies)

i. Changes due to amendment of accounting standards: None

ii. Changes due to other reasons: Yes

(3) Number of shares outstanding (common stock)

i. Number of shares outstanding at the end of period (including treasury stock)

As of December 31, 2008 984,508,387 shares

As of December 31, 2007 984,508,387 shares

ii. Number of treasury stock at the end of period

As of December 31, 2008 30,157,914 shares

As of December 31, 2007 29,779,060 shares

Note: For the number of shares as a basis of calculating net income per share (consolidated), please refer to "PER SHARE INFORMATION" on page 38.

#### Reference: SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Non-consolidated business results and financial positions for the current fiscal year (January 1, 2008 - December 31, 2008)

(1) Results of operations:

|                              | Sales        | Percentage<br>change | Operating<br>income | Percentage<br>change | Ordinary<br>income | Percentage<br>change |
|------------------------------|--------------|----------------------|---------------------|----------------------|--------------------|----------------------|
|                              | (¥ millions) | (%)                  | (¥ millions)        | (%)                  | (¥ millions)       | (%)                  |
| Year ended December 31, 2008 | 74,536       | (83.0)               | 53,495              | 279.9                | 47,074             | 52.5                 |
| Year ended December 31, 2007 | 437,172      | (54.5)               | 14,081              | (76.5)               | 30,875             | (65.0)               |

|                              | Net income   | Percentage<br>change | Net income<br>per share<br>(Primary) | Net income<br>per share<br>(Diluted) |
|------------------------------|--------------|----------------------|--------------------------------------|--------------------------------------|
|                              | (¥ millions) | (%)                  | (¥)                                  | (¥)                                  |
| Year ended December 31, 2008 | 27,684       | (17.3)               | 29.00                                | -                                    |
| Year ended December 31, 2007 | 33,476       | (38.7)               | 35.06                                | -                                    |

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

(2) Financial positions:

|                   | Total assets      | Net assets          | Ratio of equity to<br>total assets | Net assets<br>per share |
|-------------------|-------------------|---------------------|------------------------------------|-------------------------|
|                   | (¥ millions)      | (¥ millions)        | (%)                                | (¥)                     |
| December 31, 2008 | 1,403,882         | 818,147             | 58.3                               | 857.28                  |
| December 31, 2007 | 1,620,556         | 871,430             | 53.8                               | 912.75                  |
| Reference: Equity | December 31, 2008 | 818,147 million yen |                                    |                         |
|                   | December 31, 2007 | 871,430 million yen |                                    |                         |

**2. Forecast of non-consolidated business results for the next fiscal year**

**(January 1, 2009 - December 31, 2009)**

|                               | Sales        | Percentage<br>change | Operating<br>income | Percentage<br>change | Ordinary<br>income | Percentage<br>change |
|-------------------------------|--------------|----------------------|---------------------|----------------------|--------------------|----------------------|
|                               | (¥ millions) | (%)                  | (¥ millions)        | (%)                  | (¥ millions)       | (%)                  |
| 6 months ending June 30, 2009 | 77,000       | 28.5                 | 65,000              | 30.3                 | 66,000             | 20.9                 |
| Year ending December 31, 2009 | 91,000       | 22.1                 | 65,000              | 21.5                 | 66,000             | 40.2                 |

|                               | Net income   | Percentage<br>change | Net income<br>per share |
|-------------------------------|--------------|----------------------|-------------------------|
|                               | (¥ millions) | (%)                  | (¥)                     |
| 6 months ending June 30, 2009 | 64,000       | 28.9                 | 67.06                   |
| Year ending December 31, 2009 | 65,000       | 134.8                | 68.11                   |

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

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

Please refer to page 10,11,12,13 and 20 for the assumptions and other matters related to the forecast of consolidated business results provided herein.

## **BUSINESS RESULTS AND FINANCIAL POSITION**

*Note: All comparisons are with the previous year unless stated otherwise*

### **1. BUSINESS PERFORMANCE**

Financial instability stemming from the sub-prime loan problem in the U.S. spread widely during the year under review, and from around October the global economy decelerated rapidly. Although governments in various countries have adopted measures aimed at stabilizing the markets, it appears that a continuation of the global economic slowdown is likely.

Japan's economy has also slowed down with the financial crisis, and corporate earnings have been hit by a steep appreciation of the yen along with high raw material prices. Consumer sentiment has been weakening, reflecting high commodity prices and the uncertain outlook.

At Kirin Group, 2008 marked the second year of the 2007-2008 Medium-Term Business Plan, which itself is Stage I in Kirin's long-term strategic framework Kirin Group Vision 2015, or KV2015. During 2008 Kirin pursued a wide range of business development initiatives both in Japan and overseas. In Australia, Kirin pursued further development to become a leading food and health company in Asia and Oceania by acquiring National Foods Limited ("National Foods"), and also acquired all the shares of Australian company Dairy Farmers in November.

In Japan, the scale of Kirin's business expanded significantly with the consolidation of Kyowa Hakko Kogyo Co., Ltd. ("Kyowa Hakko"). With the merger of Kyowa Hakko and Kirin Pharma on October 1, 2008, Kyowa Hakko changed its entity name to Kyowa Hakko Kirin Co., Ltd. ("Kyowa Hakko Kirin")

Looking ahead, management intends to focus on generating return on investment and realizing group synergies.

Sales increased during 2008, supported by the consolidation of National Foods and Kyowa Hakko noted above, along with good performance at overseas alcohol beverage businesses. Operating income also increased, with overseas alcohol beverage business, the consolidation of Kyowa Hakko Kirin, and the impact of groupwide cost reduction measures more than compensating for high raw material costs domestically and overseas and a decline in personal consumption. Ordinary income decreased, primarily because of translation adjustments arising from the rapid appreciation of the yen against the Australian dollar. Net income increased, contributed to by special income recorded on the share exchange between Kyowa Hakko and Kirin Pharma and other factors.

#### Kirin Holdings Company, Limited: Consolidated 2008 results

|                               |                            |
|-------------------------------|----------------------------|
| Consolidated sales            | ¥2303.5 billion, up 27.9%  |
| Consolidated operating income | ¥145.9 billion, up 21.0%   |
| Consolidated ordinary income  | ¥103.0 billion, down 16.5% |
| Consolidated net income       | ¥80.1 billion, up 20.2%    |

Segmental results were as follows. It should be noted that from the current fiscal year, foods, health foods, functional foods and other such products have been shifted from the Others business segment to the Soft Drinks business segment, and the Soft Drinks segment has been renamed the Soft Drinks and Foods business segment. In order to enable like-for-like comparison, figures for the previous year have been restated to reflect the new business segment allocations. Further details

are available on pages 33, “(SEGMENT INFORMATION) a. Business segment information (CHANGES IN CLASSIFICATION OF BUSINESS SEGMENT)”.

### **Alcohol Beverages Business**

During the period under review we continued to develop our operations as a comprehensive alcohol beverages group, and in the domestic market took further alliance initiatives in product development, sales and distribution between Kirin Brewery and Mercian Corporation.

At Kirin Brewery, we pursued our product strategy for the year of strengthening our core products, building presence in low-carbohydrate products, and increasing overall sales,

The overall market for beer, happo-shu and new genre declined in volume during 2008, influenced by such factors as price increases implemented by various breweries to reflect high raw materials costs, and a worsening of consumer sentiment as the economy slowed.

Kirin's sales of beer declined year on year, partly reflecting the solid sales and new product launches that boosted performance in the previous year. Happo-shu volumes were slightly lower, although sales volumes in the low sugar category grew significantly, driving the overall market. Of particular note was the success of *Kirin ZERO*, which far exceeded initial targets after its launch in February.

In the fast-growing market for new genre products, sales of market leader *Kirin Nodogoshi Nama* increased as consumers gravitated to core brands, and new Kirin products such as *Kirin Sparkling Hop* and *Kirin Strong Seven* generated excellent consumer support.

In the RTD (Ready to Drink) market, we presented new value propositions and enhanced the *Hyoketsu* brand with the launch of products such as *Kirin Chu-hi Hyoketsu ZERO*, a zero-calorie product, and *Kirin Chu-hi Hyoketsu STRONG*, with a higher alcohol content and fuller taste. In combination with the launch of other new products, including *Two Dogs* cocktails, Kirin's total sales of RTDs increased year on year.

In sales, we continued our evolution to a value-based sales approach with the adoption of a new market-based organizational structure in September with the aim of responding to rapid changes in the market place and the further diversification of customer needs. Under this structure we have been working to strengthening customer relationships by developing extremely close appreciation of the specific characteristics of each market area.

In November we announced that from June 2009 we would begin importing and marketing Guinness® and other products of the England-based multinational Diageo plc.

At Mercian Corporation, sales of daily wines trended favorably with further enhancement of merchandizing activities with Kirin Merchandizing Co., Ltd., supported by good sales of non-preservative domestic wine and imported wines such as *Frontera* and *Sunrise*. Sales of previously strong-selling mid-range wines, however, were greatly affected by the sudden economic downturn in the last three months of the year, and sales of *Beaujolais Nouveau* also struggled.

Sales volumes of processing liquors, particularly to the on-premise market were impacted by the weakening economy, with sales and earnings both declining year on year.

In our overseas alcohol beverages business, performance at Lion Nathan in Australia remained sound. Lion Nathan has been able to absorb higher input prices by promoting a shift in the Australian market toward premium beer. The consolidation of J. Boag & Son contributed to Lion Nathan's results, and the relatively stable yen/Australian dollar exchange rate until September which is their book closing, also supported an increase in both sales and operating income compared to last year.

Sales volumes in China decreased, with a slowing of the economy adding to the impact of a tough competitive environment and high raw material costs.

Sales in the Alcohol Beverages Business remained at the same level as in the previous year. Operating income increased, supported by the performance of Lion Nathan, along with price rises implemented at Kirin Brewery to recover higher raw material costs and measures taken to reduce sales and marketing expenses.

Alcohol Beverages Business: 2008 full-year results

|                               |                            |
|-------------------------------|----------------------------|
| Consolidated sales            | ¥1181.5 billion, down 0.7% |
| Consolidated operating income | ¥109.9 billion, up 13.9%   |

**Soft Drinks and Foods Business**

At Kirin Beverage Corporation, we took active measures to stimulate demand, renewing core brands such as *Kirin Nama-cha*, *Kirin Gogono-Kocha* and canned coffee brand *Kirin FIRE*, and launching new products such as those in the *Sekai no Kitchen kara* series. Further, as an important step in Kirin Group's comprehensive beverages group strategy, we began personnel exchanges between Kirin Brewery and Kirin Beverage to promote the sharing of operating experience and skill, while strengthening our vending machine sales channel by actively promoting machine placements in each region and making joint proposals to commence and deepen relationships with restaurants, hotels, and other such on-premise customers, and volume retailers.

Despite this, domestic soft drink sales volumes decreased year on year, affected by weakening consumer sentiment in the face of a general economic slowdown and price rises to recover high raw material costs, along with a stalling of growth in the mineral water and green tea markets that had in recent years been driving demand.

In overseas business, overall sales volumes of Kirin Beverage soft drink products increased year on year, supported by continued strong sales in China of the 500ml PET bottle *Kirin Gogono-Kocha Milk Tea* that significantly exceeded the previous year.

The overall outcome for Kirin Beverage was that sales remained in line with the previous year. Operating income decreased, due to the impact of high input costs and a general worsening of the business environment.

At National Foods, in Australia, business was impacted by higher raw material costs concomitant with the continuing drought situation from the second half of last year, along with higher global demand for milk-based ingredients. Distribution costs also increased as oil prices rose, with a significant impact on earnings. A shift to lower priced and lower margin products became evident among consumers as they felt the impact of product price revisions implemented throughout the

year to reflect cost increases, along with the economic slowdown from the second half of the year, with the result that sales revenues increased and earnings decreased for the period.

In November, National Foods completed the acquisition of all shares in Dairy Farmers, a major fresh dairy company in Australia.

Kirin Food-Tech Company Limited, which is primarily engaged in the manufacture of seasonings, formed an agreement in October 2008 to integrate its business in April 2009 with Kyowa Hakko Food Specialties Co., Ltd., after which the resulting company will be named Kirin Kyowa Foods Company.

In China, where the potential for growth is considered to be high, operations began from July at our 100% subsidiary Kirin Food-Tech Shanghai Co., Ltd. in Shanghai, following registration of the company in April.

Sales at Kyowa Hakko Food Specialties Co., Ltd., which is scheduled to merge as noted above, were lower year on year, mainly due to the impact of higher input costs and weaker overall demand for processed foods.

Kirin Yakult Next Stage continued to develop new health and functional food products in line with Kirin Group's general theme of developing business in the domain of food and health. However, severe competition and a contraction of the alternative foods market led to a worsening of the business environment, and it was resolved to restructure this business from 2009 under the direction of Yakult Group.

Sales in the Soft Drinks and Foods business increased, supported by the consolidation of National Foods and Kyowa Hakko. Operating income declined, however, due to factors including high input costs, falling consumer spending, along with the recording of goodwill and brand amortization expenses accompanying the acquisition of National Foods in Australia.

Soft Drinks and Foods Business: 2008 full-year results

|                               |                          |
|-------------------------------|--------------------------|
| Consolidated sales            | ¥716.6 billion, up 51.0% |
| Consolidated operating income | ¥6.4 billion, down 59.9% |

**Pharmaceuticals Business**

From the second quarter of the year Kirin's existing pharmaceuticals business became part of Kyowa Hakko, and Kyowa Hakko in turn became a consolidated subsidiary of Kirin. In October 2008 the two companies merged to form a new company Kyowa Hakko Kirin Co., Ltd.

At Kyowa Hakko Kirin, an active program was undertaken to provide information relating to core anemia medicines *NESP®* and *ESPO* and market share of the two products increased steadily. Sales of antiallergic medicine *ALLELOCK* and antiallergic eye drop *Patanol* also progressed favorably. In January 2008 we launched *REGPARA TABLETS*, a treatment for secondary hyperparathyroidism, one of complications during maintenance dialysis, and began promoting this product with the aim of rapidly establishing a presence in the market.



In pipeline activities, we received a one-off contract payment for the outlicensing to Amgen of anti-CCR4 humanized monoclonal antibody KW-0761. We also secured assess to RNAi therapy development candidates, an area of medicine in which therapies act directly on genes to prevent a range of disease-causing proteins from being made, and secured co-development rights for antibody medicines and joint sales agreements for cancer pain medicines.

Sales and operating income in the pharmaceuticals business both increased significantly, primarily due to the consolidation of Kyowa Hakko from the second quarter of the year.

Pharmaceuticals Business: 2008 full-year results

|                               |                            |
|-------------------------------|----------------------------|
| Consolidated sales            | ¥ 171.5 billion, up 145.3% |
| Consolidated operating income | ¥28.2 billion, up 116.9%   |

**Other Businesses**

From the second quarter of the year Kyowa Hakko became a consolidated subsidiary of Kirin, and its bio-chemicals business and chemicals business have been included in the sales and operating income of Kirin's Other Businesses business segment.

In the bio-chemical business, sales of amino acids for medical and industrial use trended favorably, and revenues increased. In the chemicals business, sales revenues increased steadily during the first half of the year, supported by price rises implemented for core products because of higher raw material and energy costs, but the global economic slowdown affected performance from the second half and full-year sales were in line with the previous year.

In agribio business, sales were lower than last year but earnings increased, with sound performance overseas compensating for a harsh business domestic environment for the seedlings business.

Sales and operating income in other businesses both increased, primarily due to the consolidation of Kyowa Hakko.

Other Businesses: 2008 full-year results

|                               |                           |
|-------------------------------|---------------------------|
| Consolidated sales            | ¥233.8 billion, up 247.9% |
| Consolidated operating income | ¥18.2 billion, up 188.8%  |

## Outlook for 2009

The Kirin Group business plan for 2009 has been formulated on the basis that 2009 is both the last year of the 2007-2009 Medium-Term Business Plan and also “Year Zero” leading to the start of the 2010-2012 Medium-Term Business Plan. Accordingly, Kirin will continue efforts to improve corporate value and the value of the Kirin brand, while developing as Asia and Oceania’s leading company in the domains of food and health.

## 2009 Kirin Group business policy



## Basic management strategies

- **Based on three core growth strategies, strengthen Kirin’s business foundations and realize a quantum leap in growth**
  1. **Create renewed growth in the domestic alcohol beverage business**
  2. **Pursue a domestic comprehensive beverages group strategy**
  3. **Internationalize Kirin’s business and facilitate an international comprehensive beverages group strategy**
  4. **Develop the health food and functional food business**
  5. **Accelerate growth in pharmaceuticals business**
  6. **Further develop existing businesses**
  7. **Improve cost competitiveness**
- **Realize Group synergies in the context of global competition**
- **Adopt an optimum group management structure and enhance operational capabilities with the aim of maximizing corporate value**
- **Pursue Kirin Group CSR**

## Alcohol Beverages Business

Our aim is to achieve specific synergy outcomes in each business area, addressing the entire value chain—including product development, production, SCM and sales—in a cross-sectional structure to create a stronger foundation for our comprehensive beverages group strategy.

In domestic alcohol beverages, we will further the development of a comprehensive alcohol beverages product lineup by deepening the alliance between Kirin Brewery and Mercian. Moreover, by prioritizing the allocation of resources areas in which Kirin Brewery has developed notable expertise, such as manufacturing technology, packaging and market research, we intend to utilize

and enhance technological, development and analytical capabilities throughout the Group.

Kirin Brewery will continue to pursue the key themes of *strengthening core brands* and *increasing overall demand* that were promoted during 2008, while adapting the third theme, which was previously *strengthening low-carbohydrate products*, to include the broader concept of *improving our response to consumer health consciousness*. We will also address diversifying customer needs by leveraging group technology to advance the concept of *evidence marketing*<sup>1</sup>, based on our awareness that customers are looking for product clarity and a simple rationale for their purchases.

1. A marketing technique that promotes products by providing customers with easy-to-understand evidence and product value that is supported by technological or other forms of proof

In the beer category, we will renew *Kirin Ichiban Shibori* as we mark the 20<sup>th</sup> anniversary of its launch. In happo-shu, where Kirin enjoys dominant market support, we will pursue initiatives to strengthen the *Kirin Tanrei Nama* brand, and will introduce a new product to meet further growth in the health consciousness of consumers. Named *Tanrei W*, the product features 99% fewer purines and also incorporates wine polyphenols. In the expanding new genre category, we will continue enhancing promotional activities centered on *Nodogoshi Nama* with the aim of further increasing its popularity. As we continue to actively promote the expansion of value propositions in this category to overlap with RTDs, shochu, soft drinks and other areas, we are boosting our portfolio with the introduction of the world's first\* 0.00% alcohol beer-taste product, named *Kirin Free*.

\*In the beer-taste beverage category. Researched by Kirin Brewery.

In the RTD market, we aim to further expand the market by strengthening our proposals to the 30 to 40 year-old age bracket in addition to the consumers in their twenties that are the main consumers. As part of this we intend to introduce *Kirin Chu-hi Hyoketsu Aperitif*, which has been developed in collaboration with Mercian. In the shochu market we will work to increase our presence in the growth categories of shochu group B and blended shochu, pursuing initiatives such as the launch of a new product *Kirin Shochu Tanrei Straight*, which has also been co-developed with Mercian.

2009 is the second year of Mercian's current medium-term business plan, and Mercian will continue initiatives with the aim of becoming Japan's strong number one in wine and processing liquors. In wine, Mercian will pursue a sales and product strategy in 2009 to strengthen Mercian brands, while in processing liquors the problem-solving sales approach will be further developed.

In overseas alcohol beverage operations, we will pursue our comprehensive beverages group strategy focused on Asia and Oceania. In China, we will continue the development of operations primarily through Kirin (China) Investment Co., Ltd., while Lion Nathan in Australia will be working to make use of the enhanced business foundations it has developed over the past three years through enhancing brands and implementing capital expenditure over the past three years, in pursuit of long-term growth. In the Philippines, we will strengthen our alliance with San Miguel.

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

In both domestic and overseas markets, Kirin Group will intensify its soft drinks and foods business as a dynamic market participant while pursuing a comprehensive beverages strategy.

At Kirin Beverage, where the market environment is very severe with continued weak consumption, we are taking a medium- to long-term approach to growth and have changed our strategic focus to

emphasize profitability.

In line with this, during 2009 we will work to *reinforce our revenue base* by maximizing the efficiency and effectiveness of our sales and marketing activities and lifting productivity, while *strengthening competitiveness along new axes* by developing high value added products.

In addition, we aim to create value leading to new growth by reforming profit management and optimizing the allocation of resources to areas in which we have specific strengths, and deepen the alliance between Kirin Brewery and Kirin Beverage to realize our comprehensive beverages group strategy.

In products, we will continue to undertake research marketing with a focus on current core brands, and actively develop new high value added brands aligned with the themes of *safety, trust, health and the environment*.

In marketing, we will pursue measures to develop closer customer relationships, for example by working with other Kirin Group companies and adapting marketing activities to the specific characteristics of each region. We will actively engage in R&D and SEEDS development.

In overseas operations, we will develop our beverages business in high-growth Asian areas, pursuing a premium product strategy in a similar manner to activities to date in China and Thailand, including commencing high value added product production and sales in Vietnam from the second half of the year.

At National Foods in Australia, we will embark on specific integration measures following completion of the acquisition of Dairy Farmers in 2008, looking to realize synergies and cost reductions through the rationalization of production facilities, efficiencies in materials procurement and other such initiatives, with the aim of creating a strong brand portfolio across all dairy product categories. It is expected that material costs will be recorded for business restructuring activities undertaken during 2009.

Following the establishment of the newly merged Kirin Kyowa Foods Company in April, we will work to put in place a sound organizational structure and rapidly achieve integration benefits, aiming to boost our market presence in the food materials industry.

In health foods and functional foods, we will pursue cross-divisional group product development centered on beverages, with the aim of commercializing our first products in 2010.

### **Pharmaceuticals Business**

In pharmaceuticals business, managed by Kyowa Hakko Kirin, we will continue taking active steps to realize integration benefits. In R&D, we will pursue further efficient research in activated human antibodies and other such antibody medicines in which we have particular strengths, in addition to small molecule medicines, with the aim of enhancing our product pipeline. In production, we will continue construction of a manufacturing plant for investigational antibody medicines. In marketing, we will pursue steady growth in sales of core anemia medicines *NESP®* and *ESPO*, along with antiallergic medicine *ALLELOCK* and antiallergic eye drop *Patanol*, while continuing to develop the market presence of *REGPARA TABLETS*, a treatment for secondary hyperparathyroidism during

maintenance dialysis.

### Other Businesses

In the biochemical business operated by Kyowa Hakko Bio, Co., Ltd., we will continue to develop business in the growth area of amino acids. In the chemical business operated by Kyowa Hakko Chemical Co., Ltd., we aim to strengthen existing core products while generating stable earnings through the development of distinctive new products.

In agribio business, we will aim to enhance seedling production technology to enable the development of new high value added products.

### CSR Initiatives

Kirin believes that incorporating CSR into all its business activities and working to ensure harmony with society and the environment is a key aspect of creating sustainable increases in enterprise value. Accordingly, Kirin's CSR approach is based on two themes: *CSR through Business* and *CSR as a Corporate Citizen*. Kirin's initiatives under *CSR through Business* include activities that all companies should focus on—such as ensuring proper compliance, food safety and security—along with contributing to enjoyable eating habits and lifestyles by providing information and new value proposals. From 2009, Kirin will commence initiatives under a new groupwide medium-term Low Carbon Corporate Group policy.

Kirin's initiatives under CSR as a Corporate Citizen encompass activities beyond the scope of Kirin's actual business operations, and include a wide range of social contribution activities connected with the environment, sports, and other areas.

## 2. FINANCIAL POSITION

Total assets as of December 31, 2008 stood at ¥2,619.6 billion, an increase of ¥149.9 billion, or 6.1%, compared to December 31, 2007. Current assets increased ¥191.5 billion to ¥826.2 billion. Fixed assets also increased, with property, plant and equipment climbing ¥155.3 billion, and intangible assets climbing ¥62.5 billion due to goodwill and other factors. These increases were mainly attributable to the acquisition of shares in Kyowa Hakko Kirin Co., Ltd. Investments and other assets decreased ¥259.5 billion, primarily because of a decrease in investments in affiliated companies, along with a decrease in investment securities due to a fall in the share prices of held securities.

Total liabilities as of December 31, 2008 stood at ¥1,469.6 billion, an increase of ¥99.5 billion, or 7.3%, compared to December 31, 2007. Short-term loans payable used for the acquisition noted above were repaid through procuring long-term loans and issuing bonds, with the result that long-term debt increased by ¥145.5 billion, bonds increased by ¥194.1 billion, and short-term loans payable decreased by ¥285.5 billion.

Net assets as of December 31, 2008 stood at ¥1,149.9 billion, an increase of ¥50.4 billion, or 4.6%, compared to December 31, 2007. Retained earnings increased by ¥57.7 billion from net income recorded for the period under review, but net unrealized holding gains on securities decreased by ¥87.3 billion due to a fall in the value of investment securities held by Kirin, and foreign currency translation adjustments decreased by ¥96.4 billion. Minority interests increased ¥177.2 billion, primarily due to the consolidation of Kyowa Hakko Kirin.

Consolidated cash and cash equivalents ("cash") totaled ¥68.4 billion as of December 31, 2008, an increase of ¥16.1 billion compared to December 31, 2007. Main outflows included investment activities such as the acquisition of tangible and intangible fixed assets along with the acquisition of shares in subsidiaries concomitant with changes in the scope of consolidation, but these outflows

were covered by bond issuance, cash reserves and others sources.

Consolidated cash flows were as follows:

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

Net cash provided by operating activities was ¥131.2 billion, ¥16.6 billion higher than in the previous year. Income before income taxes and minority interests increased ¥37.3 billion, foreign currency translation loss increased by ¥35.9 billion, and depreciation and amortization increased by ¥24.0 billion, while equity in earnings of affiliates increased ¥72.6 billion and income taxes paid increased ¥18.7 billion.

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

Net cash used in investing activities was ¥169.3 billion, ¥100.2 billion less than in the previous year. Outflows for the acquisition of property, plant and equipment and intangible assets increased ¥59.1 billion to ¥126.0 billion. Outflows of ¥73.4 billion were recorded for the acquisition of shares of newly consolidated subsidiaries. The sale of property, plant and equipment and intangible assets produced cash inflow of ¥26.5 billion, and the sale of marketable securities and investment securities generated proceeds of ¥7.1 billion.

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

Financing activities produced a net cash inflow of ¥26.6 billion, ¥94.8 billion less than in the previous year. Bond issuance resulted in cash inflows of ¥199.9 billion, while inflow from borrowings decreased ¥127.4 billion and cash dividends paid totaled ¥41.5 billion.

Trends in Kirin Group's cash flow indices are as follows:

|   | 2006  | 2007  | 2008  |
|---|-------|-------|-------|
| Equity ratio (%)                                | 50.6  | 42.7  | 35.4  |
| Equity ratio based on market capitalization (%) | 91.0  | 63.4  | 42.8  |
| Debt service coverage (%)                       | 242.6 | 588.1 | 552.1 |
| Interest coverage ratio (times)                 | 12.2  | 9.9   | 5.6   |

All indices are calculated from consolidated financial data.

#### **Notes:**

- Equity ratio = (Net assets – Minority interests) / Total assets
- Equity ratio based on market capitalization = Market capitalization / Total assets  
[Market capitalization = market price on last trading day of period x total shares outstanding at end of period (excluding treasury stock)]
- Debt service coverage = Interest-bearing liabilities / Operating cash flow  
[Interest-bearing liabilities refer to all liabilities with interest payable recorded on the liabilities section of the consolidated balance sheets. Operating cash flow refers to Net cash provided by operating activities in the consolidated statements of cash flow]
- Interest coverage ratio = Operating cash flow / Interest expenses  
[Interest expenses refers to the Interest expenses figure recorded in the consolidated statements of cash flows]

### **3. BASIC POLICY ON DISTRIBUTION OF PROFITS; DIVIDEND FOR 2008 and for 2009**

Kirin views the appropriate distribution of profits to shareholders as a key management issue, and has distributed a dividend to shareholders in every financial period since establishment in 1907. Management believes that shareholders' needs can be met by providing a stable, continuous dividend based in each period on a comprehensive assessment of business performance, the target payout ratio, and future capital requirements. Under the "2007-2009 Kirin Group Medium-Term

Business Plan” (KV2015 Stage I), the Company has set a guideline consolidated payout ratio of 30%, and seeks to increase dividends concomitant with increases in actual profitability. Retained earnings will be allocated to business and capital investments that contribute to enhancing future enterprise value, principally in the alcohol beverages, soft drinks and foods, and pharmaceuticals businesses. The Company will consider opportunities to acquire treasury stock as appropriate, based on progress in strategic investment for growth and the Company’s financial status.

Based on this policy, and taking into account the effects of amortization of goodwill arising from investments made in pursuit of a quantum leap in growth, Kirin proposes a year-end dividend of ¥11.5 per share, which in combination with the interim dividend of ¥11.5 per share represents a total dividend for 2008 of ¥23.0 per share, ¥2.0 per share higher than in the previous year. The planned consolidated payout ratio for the 2008 fiscal year is therefore 27.4%. The planned full-year dividend for 2009 is ¥23.0 per share.

#### **4. BUSINESS RISKS**

Outlined below are the main risks faced by Kirin Group in its business activities that have been identified as having the potential to have a significant impact on the decisions of investors. Information is also presented with regard to matters that are not necessarily risk factors, with the aim of promoting active disclosure of information to investors. Based on an awareness and understanding of these risks, Kirin Group takes measures to prevent and reduce risks, and to respond appropriately in the case that any such risks eventuate.

The future risk items outlined below are those identified by the Company as of December 31, 2008.

##### **1. Weather and natural disasters**

Kirin Group’s business operations are subject to the influence of weather. Examples of weather risks include unusually cold summers, drought and typhoons, along with the impact of global warming and other such factors. Furthermore, earthquakes and other natural disasters and accidents on a large scale could damage facilities, resulting in production levels falling short of requirements.

##### **2. Revision of laws and regulations**

Kirin Group’s business operations are subject in Japan to a number of laws and regulations, including those relating to liquor tax, food sanitation, pharmaceuticals and fair trading. Kirin Group is also subject to local laws and regulations in each of the other countries in which it operates. An example of a risk is the potential for alcohol consumption to decline if revisions to liquor taxes result in higher consumer prices. In pharmaceutical business, examples of risk include the potential for changes to the Pharmaceutical Affairs Law or related regulations and ordinances to impact or delay the development of new products. Unforeseen revisions to laws could result in the curtailment of Group activities, adversely impacting the Group’s financial position and business performance.

##### **3. Strengthening of regulations**

Kirin Group’s business operations are undertaken in accordance with various laws and regulations. For example, advertising and publicity is conducted in accordance with strict voluntary industry standards in order for Kirin Group to meet social responsibilities as a manufacturer and vendor of alcohol products. However, international standards in respect of the sale of alcohol products are under consideration by institutions such as the World Health Organization, and Kirin faces the risk that sales of alcohol beverages could decline if guidelines were implemented that were significantly stricter than currently envisaged.

##### **4. Increase in the price of oil and other raw materials**

Important raw materials used by Kirin Group, such as oil, aluminum, malt, corn and fresh dairy produce in Australia, are subject to changes in price depending on market conditions. Increases in the cost of these raw materials may lead to higher procurement and manufacturing costs, adversely impacting Kirin’s business performance and financial position.

## **5. Changes in foreign currency exchange rates and interest rates**

Kirin Group, in procuring raw materials and undertaking overseas business centered on Asia and Oceania, may be exposed to sudden and unforeseen changes in foreign currency exchange rates, along with changes in interest rates relating to funding procurement domestically and overseas. These changes could adversely impact the Group's business performance and financial position.

## **6. Impact on asset values from equity market movements and other changes**

The value of marketable securities and other such assets held by Kirin are subject to changes in market price, and a decrease in market values could have an adverse impact on the Group's business performance and financial position.

## **7. Changes in the business environment**

Kirin Group's business operations are significantly influenced by economic conditions and related trends in personal consumption. Simultaneous worldwide falls in consumption and demand could have an adverse impact on the Group's business performance and financial position. In addition, Kirin Group faces the risk that the overall market in Japan could decline as a result of Japan's declining birth rate and aging population profile.

## **8. Litigation risk**

Kirin Group's business operations incorporate a range of measures to reduce the likelihood of employees acting in contravention of laws and regulations. These measures include engaging in a risk management cycle and promoting compliance via employee training seminars. However, in the course of the Group's operations in Japan and overseas, there is a possibility that litigation could be brought against the Group or its employees for real or supposed infringements of product liability, intellectual property or other laws. In such cases, either directly as a result of legal proceedings or as the result of the loss of trust from customers resulting from such proceedings, legal proceedings could have an adverse impact on the Group's business performance and financial situation.

## **9. Business and capital alliances**

In line with Kirin Group's medium-term management strategy, the Group is actively promoting the development of business and capital alliances with other companies in Japan and overseas, as part of measures to improve Kirin's competitive position and achieve growth. In undertaking this approach, however, Kirin faces the risk that due to changing economic and other circumstances in Japan and elsewhere it may not be able to exercise sufficient control over the management, operations or assets of business alliance partners, and that Kirin could be affected by circumstances at allied companies. Any such cases could have an adverse impact on the Group's business performance and financial situation.

## **10. Government, economic and social unrest**

Kirin Group recognizes and has measures in place to ameliorate a number of risks, as follows:

- The emergence of unforeseeable political, economic or social developments
- Social or economic turmoil such as the outbreak of war, terrorist activity, or communicable diseases such as new forms of influenza

Particularly in operations outside Japan, however, the risk remains that business continuity could be threatened if the scope of any such occurrences exceeds the potential envisaged by Kirin.

## **11. Food safety and quality**

Kirin Group is engaged in continuous efforts to monitor and improve quality throughout the Group in order to offer customers 'safety in food', as part of which Kirin has implemented an improved product quality management system that encompasses goods manufactured at Kirin's own factories as well as those goods manufactured at or imported under agreements with other companies. In recent years, however, various issues have arisen in relation to food safety in the food and beverage industry sector, and if an unexpected problem were to arise at Kirin, the Group's business performance and financial position could be adversely affected.



## **12. Pharmaceutical product quality**

In Kirin Group's pharmaceutical business strenuous efforts are made to ensure that pharmaceuticals manufactured at Kirin's own facilities or procured from other companies meet stringent quality control standards and pass all appropriate tests. However, the risk remains that serious side effects or other unforeseen product defects or problems could emerge, which could have a serious impact on Kirin's reputation in society and results in the Group's business performance and financial position being adversely affected.

## **13. Environmental issues**

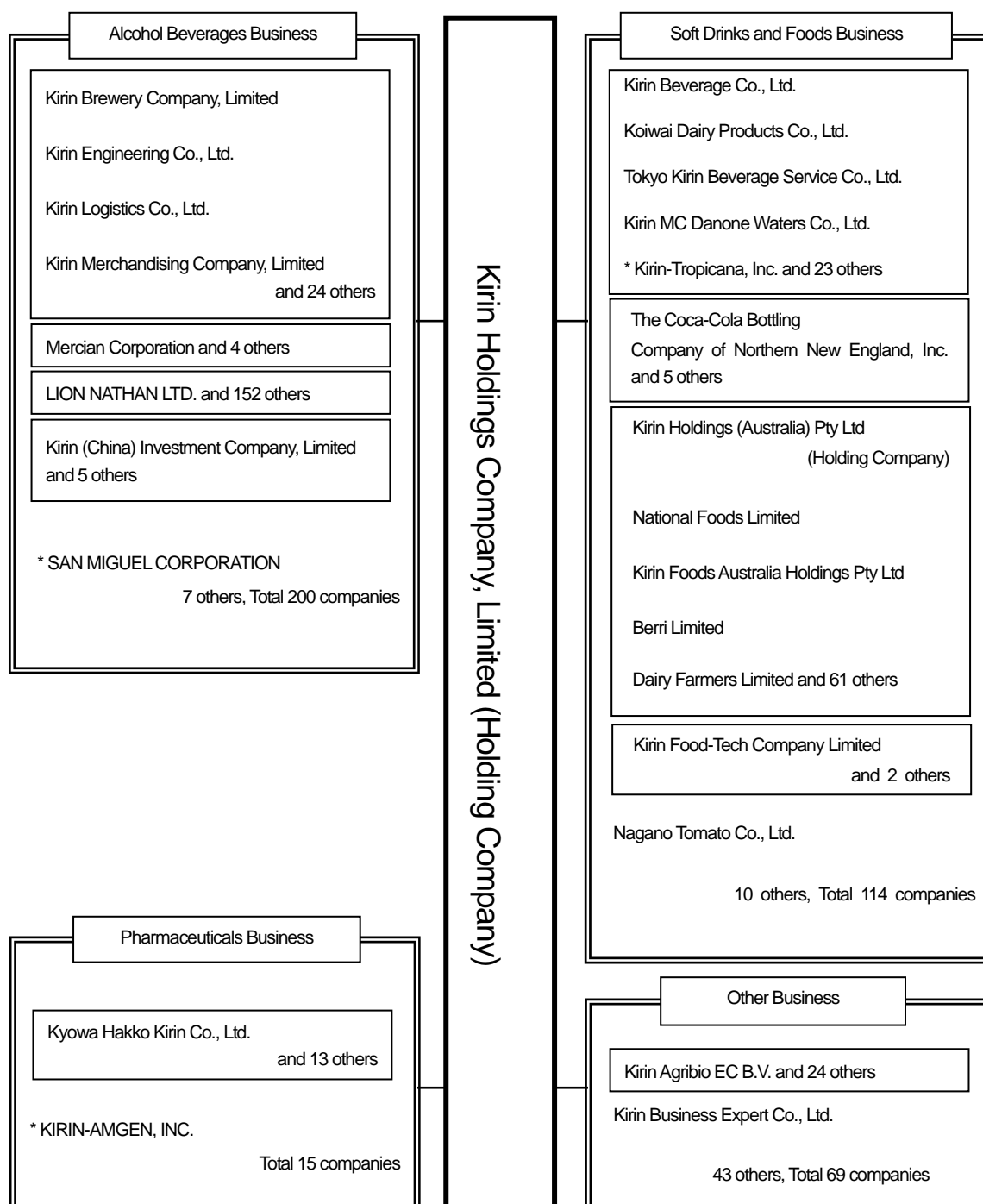
Kirin Group currently complies with all laws regarding waste disposal and sanitation, and engages in comprehensive manifesto management. Kirin also strictly complies with various environment laws concerning the atmosphere, water quality, noise pollution, vibrations, odor pollution, soil contamination and land subsidence, and other matters relating to industrial waste. However, the risk remains that human error or other factors could cause environmental pollution or other adverse impacts, and revisions to relevant laws and regulations may necessitate additional capital expenditure, raising costs and negatively impacting Kirin's business performance and financial situation.

## **14. Information management**

Kirin Group, in addition to holding important information relating to Group management, is privy to a range of other detailed information about companies and individuals. Kirin Group manages such information in accordance with applicable laws and regulations, and through employee training programs and other such measures emphasizes the importance of correct information management, as well as having systems-related security policies and structures in place. However, the risk remains that computer viruses, unauthorized access or other occurrences could cause loss, leakage, or alternations to information, or that systems could be improperly used or become temporarily unserviceable. Any such problems could lead to a loss of trust from transaction partners and other stakeholders, and could have an adverse impact on the Group's management, business performance and financial position.

## 2. Corporate Group

The corporate group consists of Kirin Holdings Company, Limited ("the Company"), 371 consolidated subsidiaries, 1 unconsolidated subsidiary accounted for by the equity method and 26 affiliates accounted for by the equity method at December 31, 2008. The major group companies in the respective business segments are as follows:



Consolidated subsidiaries are stated above, except for \* marked affiliates to which the equity method is applied.

### 3. Management Policy

#### (1) Basic approach

Kirin aims to become a leading food and health company in Asia and Oceania, positioning KIRIN as a brand that symbolizes *trust* and *vitality* and earning customer support under the general theme of *taste that makes you smile*. Reflecting this aim, in May 2006 Kirin announced Kirin Group Vision 2015 ("KV2015"), a long-term strategic roadmap to put Kirin on a new trajectory of growth.

#### (2) Targets and management indices

In working toward the targets set for 2015 in the KV2015 long-term business framework, Kirin has established the following targets for 2009, the final year of the 2007-2009 Medium-Term Business Plan and the first stage in realizing KV2015.

#### Revised quantitative targets

|  | 2009 targets   | 2015 targets  |
|--|----------------|---------------|
| Consolidated sales including liquor tax      | ¥2.3 trillion  | ¥3.0 trillion |
| Consolidated sales excluding liquor tax      | ¥1.93 trillion | ¥2.5 trillion |
| Operating income                             | ¥121 billion   | ¥250 billion  |
| Operating profit margin including liquor tax | 5.3% plus      | 8% plus       |
| Operating profit margin excluding liquor tax | 6.3% plus      | 10% plus      |
| ROE  | 6.0%           | 10% plus      |
| Overseas sales ratio                         | 24%            | Approx. 30%   |

Notes:

1. Targets for 2009 do not include any potential impact from future strategic investment.
2. ROE is after amortization of goodwill.

#### (3) Medium-Term Management Strategy and (4) Key issues to address

Kirin Group is taking a dynamic, fast-moving approach to management, in line with the medium-term business plan outlined below.

#### 2007-2009 Kirin Group Medium-Term Business Plan

Core management strategies:

1. Strengthen Kirin's business foundations and realize a quantum leap in growth
  - (1) Create renewed growth in the domestic alcohol beverage business
  - (2) Move further toward becoming a comprehensive beverages group
  - (3) Internationalize Kirin's business
  - (4) Develop the health food and functional food business
  - (5) Accelerate growth in pharmaceuticals and leverage proprietary strengths to develop the agribio business
2. Pursue a financial strategy that maximizes corporate value
3. Adopt a new group management structure
4. Raise KIRIN brand value and implement Kirin Group CSR

In August 2008 the 2007-2009 Medium-Term Business Plan was revised to incorporate the following three points:

- *Facilitate organic growth at operating companies*: allocate significant management resources to soft drinks
- *Create Group synergies*: enhance functional capabilities to improve the group organizational structure
- *Allocate resources dynamically*: provide for total investment in the region of ¥300 billion

#### **4. Note Concerning Forecasts**

The statements concerning future performance that are presented in this document are based on judgments using information available to Kirin Holdings and the Kirin Group as of February 10, 2009. Certain risks and uncertainties could cause the results of Kirin Holdings and the Kirin Group to differ materially from any projections presented herein. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses, market trends, and exchange rates.

## 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR

### CONSOLIDATED BALANCE SHEETS

(¥ millions)

| ASSETS   | At<br>December 31, 2007 |                                    | At<br>December 31, 2008 |                                    | Increase<br>(Decrease) |
|--|-------------------------|------------------------------------|-------------------------|------------------------------------|------------------------|
|  | Amount                  | Percentage<br>over total<br>assets | Amount                  | Percentage<br>over total<br>assets | Amount                 |
| Current Assets                                     |                         |                                    |                         |                                    |                        |
| Cash   | 55,009                  |                                    | 72,662                  |                                    | 17,653                 |
| Notes and accounts receivable, trade               | 361,127                 |                                    | 446,630                 |                                    | 85,503                 |
| Marketable securities                              | 246                     |                                    | 762                     |                                    | 516                    |
| Inventories  | 148,649                 |                                    | 219,320                 |                                    | 70,671                 |
| Deferred tax assets                                | 19,906                  |                                    | 22,991                  |                                    | 3,085                  |
| Other  | 52,190                  |                                    | 65,735                  |                                    | 13,545                 |
| Allowance for doubtful accounts                    | (2,500)                 |                                    | (1,879)                 |                                    | 621                    |
| Total Current Assets                               | 634,629                 | 25.7                               | 826,222                 | 31.5                               | 191,593                |
| Fixed Assets                                       |                         |                                    |                         |                                    |                        |
| Property, Plant and Equipment                      |                         |                                    |                         |                                    |                        |
| Buildings and structures (Purchase price)          | 496,623                 |                                    | 624,928                 |                                    |                        |
| Less accumulated depreciation                      | (293,520)               |                                    | (395,308)               |                                    |                        |
| Buildings and structures (Book value)              | 203,103                 |                                    | 229,619                 |                                    | 26,516                 |
| Machinery, equipment and vehicles (Purchase price) | 733,439                 |                                    | 939,185                 |                                    |                        |
| Less accumulated depreciation                      | (536,385)               |                                    | (721,313)               |                                    |                        |
| Machinery, equipment and vehicles (Book value)     | 197,053                 |                                    | 217,872                 |                                    | 20,819                 |
| Land   | 158,558                 |                                    | 244,240                 |                                    | 85,682                 |
| Construction in progress                           | 35,437                  |                                    | 57,244                  |                                    | 21,807                 |
| Other (Purchase price)                             | 154,783                 |                                    | 187,092                 |                                    |                        |
| Less accumulated depreciation                      | (112,974)               |                                    | (144,757)               |                                    |                        |
| Other (Book value)                                 | 41,809                  |                                    | 42,335                  |                                    | 526                    |
| Total  | 635,963                 | 25.7                               | 791,311                 | 30.2                               | 155,348                |
| Intangible Assets                                  |                         |                                    |                         |                                    |                        |
| Goodwill   | 258,780                 |                                    | 343,975                 |                                    | 85,195                 |
| Other  | 128,134                 |                                    | 105,493                 |                                    | (22,641)               |
| Total  | 386,915                 | 15.7                               | 449,469                 | 17.2                               | 62,554                 |
| Investments and Other Assets                       |                         |                                    |                         |                                    |                        |
| Investment securities                              | 712,234                 |                                    | 425,384                 |                                    | (286,850)              |
| Long term loans receivable                         | 10,387                  |                                    | 9,343                   |                                    | (1,044)                |
| Deferred tax assets                                | 34,583                  |                                    | 34,700                  |                                    | 117                    |
| Other  | 57,838                  |                                    | 87,139                  |                                    | 29,301                 |
| Allowance for doubtful accounts                    | (2,884)                 |                                    | (3,947)                 |                                    | (1,063)                |
| Total  | 812,160                 | 32.9                               | 552,619                 | 21.1                               | (259,541)              |
| Total Fixed Assets                                 | 1,835,038               | 74.3                               | 1,793,400               | 68.5                               | (41,638)               |
| TOTAL ASSETS                                       | 2,469,667               | 100.0                              | 2,619,623               | 100.0                              | 149,956                |

(¥ millions)

| LIABILITIES  | At<br>December 31, 2007 |                                    | At<br>December 31, 2008 |                                    | Increase<br>(Decrease)<br>Amount |
|--|-------------------------|------------------------------------|-------------------------|------------------------------------|----------------------------------|
|  | Amount                  | Percentage<br>over total<br>assets | Amount                  | Percentage<br>over total<br>assets |                                  |
| Current Liabilities  |                         |                                    |                         |                                    |                                  |
| Notes and accounts payable, trade                                      | 139,255                 |                                    | 189,589                 |                                    | 50,334                           |
| Short-term loans payable and long-term debt with<br>current maturities | 404,725                 |                                    | 119,197                 |                                    | (285,528)                        |
| Bonds due within one year  | -                       |                                    | 44,112                  |                                    | 44,112                           |
| Liquor taxes payable   | 108,260                 |                                    | 104,245                 |                                    | (4,015)                          |
| Income taxes payable   | 31,958                  |                                    | 28,495                  |                                    | (3,463)                          |
| Allowance for employees' bonuses                                       | 4,334                   |                                    | 5,647                   |                                    | 1,313                            |
| Allowance for bonuses for directors and corporate<br>auditors          | 442                     |                                    | 257                     |                                    | (185)                            |
| Reserve for loss on repurchase of land                                 | 2,987                   |                                    | -                       |                                    | (2,987)                          |
| Accrued expenses   | 105,216                 |                                    | 116,569                 |                                    | 11,353                           |
| Deposits received  | 17,286                  |                                    | 26,773                  |                                    | 9,487                            |
| Other  | 77,293                  |                                    | 84,725                  |                                    | 7,432                            |
| Total Current Liabilities  | 891,760                 | 36.1                               | 719,613                 | 27.5                               | (172,147)                        |
| Long-term Liabilities  |                         |                                    |                         |                                    |                                  |
| Bonds  | 92,831                  |                                    | 242,850                 |                                    | 150,019                          |
| Long-term debt   | 112,244                 |                                    | 257,731                 |                                    | 145,487                          |
| Deferred tax liabilities   | 88,329                  |                                    | 55,780                  |                                    | (32,549)                         |
| Deferred tax liabilities due to land revaluation                       | 1,471                   |                                    | 1,471                   |                                    | -                                |
| Employees' pension and retirement benefits                             | 60,188                  |                                    | 82,704                  |                                    | 22,516                           |
| Retirement benefits for directors and corporate auditors               | 589                     |                                    | 673                     |                                    | 84                               |
| Reserve for repair and maintenance of vending<br>machines              | 6,387                   |                                    | 4,756                   |                                    | (1,631)                          |
| Reserve for loss on repurchase of land                                 | -                       |                                    | 1,068                   |                                    | 1,068                            |
| Deposits received  | 69,644                  |                                    | 67,093                  |                                    | (2,551)                          |
| Other  | 46,665                  |                                    | 35,882                  |                                    | (10,783)                         |
| Total Long-term Liabilities  | 478,351                 | 19.4                               | 750,012                 | 28.6                               | 271,661                          |
| TOTAL LIABILITIES  | 1,370,111               | 55.5                               | 1,469,625               | 56.1                               | 99,514                           |

(¥ millions)

| NET ASSETS                                  | At                |                                    | At                |                                    | Increase<br>(Decrease)<br><br>Amount |
|---|-------------------|------------------------------------|-------------------|------------------------------------|--------------------------------------|
|   | December 31, 2007 |                                    | December 31, 2008 |                                    |                                      |
|   | Amount            | Percentage<br>over total<br>assets | Amount            | Percentage<br>over total<br>assets |                                      |
| Shareholders' Equity                        |                   |                                    |                   |                                    |                                      |
| Common stock                                | 102,045           | 4.1                                | 102,045           | 3.9                                | -                                    |
| Capital surplus                             | 71,353            | 2.9                                | 71,536            | 2.7                                | 183                                  |
| Retained earnings                           | 781,499           | 31.6                               | 839,248           | 32.0                               | 57,749                               |
| Treasury stock, at cost                     | (28,170)          | (1.1)                              | (29,058)          | (1.1)                              | (888)                                |
| Total Shareholders' Equity                  | 926,727           | 37.5                               | 983,772           | 37.5                               | 57,045                               |
| Valuation and Translation Adjustments       |                   |                                    |                   |                                    |                                      |
| Net unrealized holding gains on securities  | 124,743           | 5.1                                | 37,430            | 1.4                                | (87,313)                             |
| Deferred gains or losses on hedges          | 370               | 0.0                                | 79                | 0.0                                | (291)                                |
| Land revaluation difference                 | (4,713)           | (0.2)                              | (4,713)           | (0.1)                              | -                                    |
| Foreign currency translation adjustments    | 7,683             | 0.3                                | (88,756)          | (3.4)                              | (96,439)                             |
| Total Valuation and Translation Adjustments | 128,083           | 5.2                                | (55,959)          | (2.1)                              | (184,042)                            |
| Subscription rights to shares               | -                 | -                                  | 162               | 0.0                                | 162                                  |
| Minority Interests                          | 44,744            | 1.8                                | 222,023           | 8.5                                | 177,279                              |
| TOTAL NET ASSETS                            | 1,099,555         | 44.5                               | 1,149,998         | 43.9                               | 50,443                               |
| TOTAL LIABILITIES AND NET ASSETS            | 2,469,667         | 100.0                              | 2,619,623         | 100.0                              | 149,956                              |

# CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

|  | Year ended<br>December 31, 2007 |                          | Year ended<br>December 31, 2008 |                          | Increase<br>(Decrease)<br>Amount |
|--|---------------------------------|--------------------------|---------------------------------|--------------------------|----------------------------------|
|  | Amount                          | Percentage<br>over sales | Amount                          | Percentage<br>over sales |                                  |
| Sales  | 1,801,164                       | 100.0                    | 2,303,569                       | 100.0                    | 502,405                          |
| Cost of sales  | 1,078,614                       | 59.9                     | 1,392,895                       | 60.5                     | 314,281                          |
| Gross profit   | 722,550                         | 40.1                     | 910,673                         | 39.5                     | 188,123                          |
| Selling, general and administrative expenses                       | 601,942                         | 33.4                     | 764,696                         | 33.2                     | 162,754                          |
| Operating income   | 120,608                         | 6.7                      | 145,977                         | 6.3                      | 25,369                           |
| Non-operating income   |                                 |                          |                                 |                          |                                  |
| Interest income  | 1,971                           |                          | 2,399                           |                          |                                  |
| Dividend income  | 5,292                           |                          | 6,566                           |                          |                                  |
| Equity in earnings of affiliates                                   | 10,282                          |                          | 11,833                          |                          |                                  |
| Other  | 5,548                           |                          | 7,027                           |                          |                                  |
| Total  | 23,094                          | 1.3                      | 27,827                          | 1.2                      | 4,733                            |
| Non-operating expenses   |                                 |                          |                                 |                          |                                  |
| Interest expense   | 12,618                          |                          | 25,385                          |                          |                                  |
| Loss on sale and disposal of finished goods                        | 1,944                           |                          | 1,073                           |                          |                                  |
| Foreign currency translation loss                                  | *1 -                            |                          | 37,287                          |                          |                                  |
| Other  | 5,749                           |                          | 6,994                           |                          |                                  |
| Total  | 20,312                          | 1.1                      | 70,739                          | 3.0                      | 50,427                           |
| Ordinary income  | 123,389                         | 6.9                      | 103,065                         | 4.5                      | (20,324)                         |
| Special income   |                                 |                          |                                 |                          |                                  |
| Gain on sale of fixed assets                                       | 19,728                          |                          | 11,016                          |                          |                                  |
| Reversal of allowance for doubtful accounts                        | 687                             |                          | 222                             |                          |                                  |
| Gain on sale of investment securities                              | 653                             |                          | 2,313                           |                          |                                  |
| Reversal of reserve for losses on guarantees                       | 62                              |                          | -                               |                          |                                  |
| Gain on sale of shares of subsidiaries and affiliates              | 184                             |                          | -                               |                          |                                  |
| Gain on transfer of real estate in trust                           | 1,089                           |                          | -                               |                          |                                  |
| Gain on change in equity   | *2 -                            |                          | 72,654                          |                          |                                  |
| Reversal of reserve for repair and maintenance of vending machines | -                               |                          | 787                             |                          |                                  |
| Compensation income for expropriation                              | -                               |                          | 9,591                           |                          |                                  |
| Total  | 22,404                          | 1.2                      | 96,585                          | 4.2                      | 74,181                           |



(¥ millions)

|  | Year ended<br>December 31, 2007 |                          | Year ended<br>December 31, 2008 |                          | Increase<br>(Decrease) |
|--|---------------------------------|--------------------------|---------------------------------|--------------------------|------------------------|
|  | Amount                          | Percentage<br>over sales | Amount                          | Percentage<br>over sales | Amount                 |
| Special expenses   |                                 |                          |                                 |                          |                        |
| Loss on disposal of fixed assets   | 5,578                           |                          | 5,320                           |                          |                        |
| Loss on sale of fixed assets   | 564                             |                          | 322                             |                          |                        |
| Loss on impairment   | 2,361                           |                          | 3,564                           |                          |                        |
| Loss on devaluation of investment securities                                       | 230                             |                          | 5,878                           |                          |                        |
| Loss on sale of investment securities  | 14                              |                          | 607                             |                          |                        |
| Business restructuring expense   | 3,878                           |                          | 3,451                           |                          |                        |
| Loss on sale of shares of subsidiaries and affiliates                              | 1,731                           |                          | -                               |                          |                        |
| Loss of equity method investments  | 1,929                           |                          | 3,180                           |                          |                        |
| General interest charge of income taxes for prior years<br>in a foreign subsidiary | 1,092                           |                          | -                               |                          |                        |
| Amortization of goodwill   | -                               |                          | 1,531                           |                          |                        |
| Loss on liquidation of business  | -                               |                          | 2,714                           |                          |                        |
| Expenses for integration   | -                               |                          | 4,643                           |                          |                        |
| Non-recurring depreciation on fixed assets   | -                               |                          | 762                             |                          |                        |
| Compensation for damage  | -                               |                          | 1,937                           |                          |                        |
| Total  | 17,380                          | 1.0                      | 33,915                          | 1.5                      | 16,535                 |
| Income before income taxes and minority interests                                  | 128,413                         | 7.1                      | 165,735                         | 7.2                      | 37,322                 |
| Income taxes   |                                 |                          |                                 |                          |                        |
| Income taxes - current   | 48,800                          |                          | 64,026                          |                          |                        |
| Income taxes for prior years   | (2,011)                         |                          | -                               |                          |                        |
| Income taxes - deferred  | 3,554                           |                          | 4,366                           |                          |                        |
| Total  | 50,343                          | 2.8                      | 68,392                          | 3.0                      | 18,049                 |
| Minority interests   | 11,355                          | 0.6                      | 17,160                          | 0.7                      | 5,805                  |
| Net income   | 66,713                          | 3.7                      | 80,182                          | 3.5                      | 13,469                 |

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Year ended December 31, 2007)

(¥ millions)

|  | Shareholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of December 31, 2006  | 102,045              | 71,114          | 732,134           | (26,797)       | 878,497                    |
| Changes of items during the period   |                      |                 |                   |                |                            |
| Dividends from surplus   |                      |                 | (17,192)          |                | (17,192)                   |
| Net income   |                      |                 | 66,713            |                | 66,713                     |
| Decrease due to exclusion of affiliates accounted for by the equity method |                      |                 | (155)             |                | (155)                      |
| Acquisition of treasury stock  |                      |                 |                   | (1,711)        | (1,711)                    |
| Disposal of treasury stock   |                      | 239             |                   | 337            | 576                        |
| Net changes of items other than shareholders' equity                       |                      |                 |                   |                |                            |
| Total changes of items during the period                                   |                      | 239             | 49,364            | (1,373)        | 48,230                     |
| Balance as of December 31, 2007  | 102,045              | 71,353          | 781,499           | (28,170)       | 926,727                    |

|  | Valuation and translation adjustments      |                                    |                             |  |   | Minority interests | Total net assets |
|--|--|------------------------------------|-----------------------------|--|---|--------------------|------------------|
|  | Net unrealized holding gains on securities | Deferred gains or losses on hedges | Land revaluation difference | Foreign currency translation adjustments | Total valuation and translation adjustments |                    |                  |
| Balance as of December 31, 2006  | 122,466                                    | (352)                              | (4,713)                     | (1,907)                                  | 115,492                                     | 49,734             | 1,043,724        |
| Changes of items during the period   |  |                                    |                             |  |   |                    |                  |
| Dividends from surplus   |  |                                    |                             |  |   |                    | (17,192)         |
| Net income   |  |                                    |                             |  |   |                    | 66,713           |
| Decrease due to exclusion of affiliates accounted for by the equity method |  |                                    |                             |  |   |                    | (155)            |
| Acquisition of treasury stock  |  |                                    |                             |  |   |                    | (1,711)          |
| Disposal of treasury stock   |  |                                    |                             |  |   |                    | 576              |
| Net changes of items other than shareholders' equity                       | 2,277                                      | 723                                |                             | 9,591                                    | 12,591                                      | (4,990)            | 7,601            |
| Total changes of items during the period                                   | 2,277                                      | 723                                |                             | 9,591                                    | 12,591                                      | (4,990)            | 55,831           |
| Balance as of December 31, 2007  | 124,743                                    | 370                                | (4,713)                     | 7,683                                    | 128,083                                     | 44,744             | 1,099,555        |

(Year ended December 31, 2008)

(¥ millions)

|  | Shareholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of December 31, 2007                      | 102,045              | 71,353          | 781,499           | (28,170)       | 926,727                    |
| Changes of items during the period                   |                      |                 |                   |                |                            |
| Dividends from surplus                               |                      |                 | (22,432)          |                | (22,432)                   |
| Net income   |                      |                 | 80,182            |                | 80,182                     |
| Acquisition of treasury stock                        |                      |                 |                   | (1,372)        | (1,372)                    |
| Disposal of treasury stock                           |                      | 182             |                   | 484            | 667                        |
| Net changes of items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes of items during the period             |                      | 182             | 57,749            | (887)          | 57,044                     |
| Balance as of December 31, 2008                      | 102,045              | 71,536          | 839,248           | (29,058)       | 983,772                    |

|  | Valuation and translation adjustments      |                                    |                             |  |   | Subscription rights to shares | Minority interests | Total net assets |
|--|--|------------------------------------|-----------------------------|--|---|-------------------------------|--------------------|------------------|
|  | Net unrealized holding gains on securities | Deferred gains or losses on hedges | Land revaluation difference | Foreign currency translation adjustments | Total valuation and translation adjustments |                               |                    |                  |
| Balance as of December 31, 2007                      | 124,743                                    | 370                                | (4,713)                     | 7,683                                    | 128,083                                     | -                             | 44,744             | 1,099,555        |
| Changes of items during the period                   |  |                                    |                             |  |   |                               |                    |                  |
| Dividends from surplus                               |  |                                    |                             |  |   |                               |                    | (22,432)         |
| Net income   |  |                                    |                             |  |   |                               |                    | 80,182           |
| Acquisition of treasury stock                        |  |                                    |                             |  |   |                               |                    | (1,372)          |
| Disposal of treasury stock                           |  |                                    |                             |  |   |                               |                    | 667              |
| Net changes of items other than shareholders' equity | (87,313)                                   | (290)                              |                             | (96,439)                                 | (184,043)                                   | 162                           | 177,279            | (6,602)          |
| Total changes of items during the period             | (87,313)                                   | (290)                              |                             | (96,439)                                 | (184,043)                                   | 162                           | 177,279            | 50,442           |
| Balance as of December 31, 2008                      | 37,430                                     | 79                                 | (4,713)                     | (88,756)                                 | (55,959)                                    | 162                           | 222,023            | 1,149,998        |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ millions)

|  | Year ended<br>December 31,<br>2007<br>Amount | Year ended<br>December 31,<br>2008<br>Amount | Increase<br>(Decrease)<br>Amount |
|--|--|--|----------------------------------|
| Cash flows from operating activities   |  |  |                                  |
| Income before income taxes and minority interests                                    | 128,413                                      | 165,735                                      | 37,322                           |
| Depreciation and amortization  | 71,913                                       | 95,948                                       | 24,035                           |
| Loss on impairment   | 2,361  | 3,564  | 1,203                            |
| Amortization of goodwill   | 7,448  | 22,376                                       | 14,928                           |
| Increase (decrease) in employees' pension and retirement benefits                    | (1,913)                                      | 134  | 2,047                            |
| Interest and dividend income   | (7,263)                                      | (8,966)                                      | (1,703)                          |
| Equity in earnings of affiliates   | (10,282)                                     | (11,833)                                     | (1,551)                          |
| Interest expense   | 12,618                                       | 25,385                                       | 12,767                           |
| Foreign currency translation gain or loss  | -  | 35,957                                       | 35,957                           |
| Gain on sale of fixed assets   | (19,728)                                     | (11,016)                                     | 8,712                            |
| Gain on sale of marketable securities and investment securities                      | (653)  | (2,313)                                      | (1,660)                          |
| Gain on change in equity   | -  | (72,654)                                     | (72,654)                         |
| Compensation for expropriation   | -  | (9,591)                                      | (9,591)                          |
| Loss on disposal and sale of fixed assets  | 6,143  | 5,643  | (500)                            |
| Loss on devaluation of investment securities   | 230  | 5,878  | 5,648                            |
| Decrease (increase) in notes and accounts receivable, trade                          | (3,205)                                      | 17,120                                       | 20,325                           |
| Decrease (increase) in inventories   | (10,439)                                     | (11,755)                                     | (1,316)                          |
| Increase (decrease) in notes and accounts payable, trade                             | 5,076  | 986  | (4,090)                          |
| Increase (decrease) in liquor taxes payable  | (57)   | (3,735)                                      | (3,678)                          |
| Increase (decrease) in consumption taxes payable                                     | 7,942  | (1,136)                                      | (9,078)                          |
| Increase (decrease) in deposits received   | (7,310)                                      | 935  | 8,245                            |
| Other  | (3,377)                                      | (24,192)                                     | (20,815)                         |
| Sub-total  | 177,917                                      | 222,471                                      | 44,554                           |
| Interest and dividend received   | 10,472                                       | 13,068                                       | 2,596                            |
| Interest paid  | (11,629)                                     | (23,308)                                     | (11,679)                         |
| Income taxes paid  | (62,175)                                     | (80,948)                                     | (18,773)                         |
| Net cash provided by operating activities  | 114,585                                      | 131,281                                      | 16,696                           |
| Cash flows from investing activities   |  |  |                                  |
| Payment for purchases of property, plant and equipment and intangible assets         | (66,873)                                     | (126,063)                                    | (59,190)                         |
| Proceeds from sale of property, plant and equipment and intangible assets            | 24,747                                       | 26,506                                       | 1,759                            |
| Payment for purchases of marketable securities and investment securities             | (183,787)                                    | (2,144)                                      | 181,643                          |
| Proceeds from sale and redemption of marketable securities and investment securities | 9,194  | 7,150  | (2,044)                          |
| Payment for purchases of shares of subsidiaries                                      | (6,648)                                      | (1,663)                                      | 4,985                            |
| Payment for acquisition of shares of newly consolidated subsidiaries                 | (70,589)                                     | (73,407)                                     | (2,818)                          |
| Proceeds from acquisition of shares of newly consolidated subsidiaries               | -  | 1,880  | 1,880                            |
| Payment of loans receivable  | (38,052)                                     | -  | 38,052                           |
| Collection of loans receivable   | 38,208                                       | -  | (38,208)                         |
| Proceeds from cancellation of life insurance investments                             | 23,232                                       | -  | (23,232)                         |
| Other  | 946  | (1,590)                                      | (2,536)                          |
| Net cash used in investing activities  | (269,621)                                    | (169,330)                                    | 100,291                          |
| Cash flows from financing activities   |  |  |                                  |
| Increase (decrease) in short-term loans payable                                      | 310,909                                      | (232,766)                                    | (543,675)                        |
| Proceeds from long-term debt   | 18,139                                       | 199,969                                      | 181,830                          |
| Repayment of long-term debt  | (177,758)                                    | (94,699)                                     | 83,059                           |
| Proceeds from issue of bonds   | -  | 199,934                                      | 199,934                          |
| Payment for redemption of bonds  | -  | (5,888)                                      | (5,888)                          |
| Payment for purchase of treasury stock   | (1,711)                                      | (1,372)                                      | 339                              |
| Proceeds from sale of treasury stock   | 576  | 667  | 91                               |
| Payment for purchase of treasury stock by the consolidated subsidiary                | (27)   | (976)  | (949)                            |
| Cash dividends paid  | (17,208)                                     | (22,432)                                     | (5,224)                          |
| Cash dividends paid to minority shareholders   | (12,554)                                     | (19,104)                                     | (6,550)                          |
| Other  | 1,189  | 3,354  | 2,165                            |
| Net cash provided by financing activities  | 121,555                                      | 26,684                                       | (94,871)                         |
| Effect of exchange rate fluctuation on cash and cash equivalents                     | (740)  | (16,226)                                     | (15,486)                         |
| Net increase (decrease) in cash and cash equivalents                                 | (34,222)                                     | (27,590)                                     | 6,632                            |
| Cash and cash equivalents at beginning of year                                       | 86,588                                       | 52,307                                       | (34,281)                         |

|  |        |        |        |
|--|--------|--------|--------|
| Net increase (decrease) in cash and cash equivalents from new consolidation/de-consolidation of subsidiaries | (58)   | 43,740 | 43,798 |
| Cash and cash equivalents at end of year   | 52,307 | 68,457 | 16,150 |

## SIGNIFICANT ACCOUNTING POLICIES

### 1. Scope of consolidation

#### (1) Consolidated subsidiaries: 371 companies

Major consolidated subsidiaries: Kirin Brewery Company, Limited, Kyowa Hakko Kirin Co., Ltd., Kirin Beverage Co., Ltd., Mercian Corporation, Lion Nathan Ltd., National Foods Limited, Berri Limited

The following table shows changes in the consolidation scope for the current fiscal year.

|          | Reason for the change  | Companies | Major subsidiaries   |
|----------|--|-----------|--|
| Increase | New establishment  | 3         | Subsidiary of Kyowa Hakko Kirin Co., Ltd.<br>Subsidiary of Kirin Beverage Co., Ltd.<br>Subsidiary of Kirin Food-Tech Co., Ltd.                                       |
|          | New acquisition, etc.  | 35        | 3 subsidiaries of Kirin Beverage Co., Ltd.<br>16 subsidiaries of Lion Nathan Ltd.<br>Daily Farmers Limited and 15 subsidiaries of Kirin Holdings (Australia) Pty Ltd |
|          | Additional acquisition of shares of Former Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.) | 24        | Kyowa Hakko Kirin Co., Ltd.<br>23 subsidiaries of former Kyowa Hakko Kogyo Co., Ltd.   |
| Decrease | Sale of shares   | 4         | 2 subsidiaries of Kirin Agribio EC B.V.<br>Subsidiary of Lion Nathan Ltd.<br>Subsidiary of Kirin Holdings (Australia) Pty Ltd  |
|          | Completion of liquidation  | 30        | Subsidiary of Mercian Corporation<br>29 subsidiaries of Lion Nathan Ltd.   |
|          | Merger   | 2         | Former Kirin Pharma Company, Limited and subsidiary of Kirin Brewery Company, Limited  |

Former Kyowa Hakko Kogyo Co., Ltd., an affiliated company accounted for by the equity method for the previous year, was included in the consolidation scope in the current fiscal year due to an additional acquisition of its shares.

#### (2) Major unconsolidated subsidiaries: Koiwai Shokuhin Corporation

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

### 2. Scope of application of equity method

#### (1) Unconsolidated subsidiaries accounted for by the equity method: 1 company

Unconsolidated subsidiary: Japan Synthetic Alcohol Co., Ltd.

Accompanying with the new consolidation of former Kyowa Hakko Kogyo Co., Ltd. as a subsidiary, the Company has obtained the majority of the voting rights of Japan Synthetic Alcohol Co., Ltd., which was a Company's affiliated company accounted for by the equity method until the previous fiscal year. The company is regarded, however, as an unconsolidated subsidiary accounted for by the equity method because its equity interest is low and its effect on this consolidated financial statements is immaterial.

#### (2) Affiliated companies accounted for by the equity method: 26 companies

Major affiliated companies: San Miguel Corporation

The following table shows changes in the scope of application of the equity method for the current fiscal year.

|          | Reason for the change  | Companies | Major affiliated companies                       |
|----------|--|-----------|--|
| Increase | Additional acquisition of shares of former Kyowa Hakko Kogyo Co., Ltd. | 4         | Affiliates of former Kyowa Hakko Kogyo Co., Ltd. |
|          | New acquisition  | 2         | Affiliates of Kirin Holdings (Australia) Pty Ltd |
| Decrease | Additional acquisition of shares of former Kyowa Hakko Kogyo Co., Ltd. | 1         | Former Kyowa Hakko Kogyo Co., Ltd.               |

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

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

(5) In an effort to respond to the demands for expediting the process of business performance disclosure and in consideration of the difficult situation to calculate equity in earnings of affiliates using its final figures for the year ended December 31, 2008, the Company has calculated equity in earnings of San Miguel Corporation based on the financial statements for 12 months from the fourth quarter of the previous fiscal year to the third quarter of the fiscal year under review.

### 3. Fiscal year-end of the consolidated subsidiaries

The following table shows the main consolidated subsidiaries whose fiscal year-ends are different from that of the Company.

| Consolidated subsidiaries       | Fiscal year-end |
|---------------------------------|-----------------|
| Kyowa Hakko Kirin Co., Ltd. (i) | March 31        |
| Lion Nathan Ltd. (ii)           | September 30    |
| Kirin Agribio Inc. (ii)         | September 30    |
| Kirin Agribio EC B.V. (ii)      | September 30    |

( i ) The Company used the financial statements based on preliminary statements as of its fiscal year-ends and for the years then ended for consolidation.

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

Disclosure of significant accounting policies other than the above-mentioned are omitted because there were no significant accounting policy changes after filing the last Securities Report (filed on March 26, 2008).

## CHANGES IN PRESENTATION

### (CONSOLIDATED BALANCE SHEET)

"Bonds due within one year," which amounted to 4,598 million yen was included in "Short-term loans payable and long-term debt with current maturities" for the year ended December 31, 2007, is separately presented in "Bonds due within one year" for the year ended December 31, 2008, because it became material.

### (CONSOLIDATED STATEMENT OF INCOME)

"Foreign currency translation loss" which amounted to 762 million yen was included in "Other" of "Non-operating expenses" for the year ended December 31, 2007, is separately presented in "Foreign currency translation loss" of "Non-operating expenses" for the year ended December 31, 2008 to conform to the disclosure requirements.

### (CONSOLIDATED STATEMENT OF CASH FLOWS)

"Foreign currency translation gain or loss," which amounted to (42) million yen was included in "Others" of "Cash flows from operating activities" for the year ended December 31, 2007, is separately presented in "Foreign currency translation gain or loss" for the year ended December 31, 2008, because it became material.

"Payment of loans receivable," which amounted to (636) million yen, "Collection of loans receivable," which amounted to 324 million yen, and "Proceeds from cancellation of life insurance investments," which amounted to 380 million yen for the year ended December 31, 2008, are included in "Other" of "Cash flows from investing activities," because it became immaterial.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (CONSOLIDATED STATEMENT OF INCOME)

#### \*1 Foreign currency translation loss

Gain on devaluation of currency swaps (¥23,541 million) that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currency is the amount after offsetting the foreign exchange losses.

#### \*2 Gain on change in equity

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

## (SEGMENT INFORMATION)

## a. Business segment information

(¥ millions)

| Year ended December 31, 2007   |                      |                |                      |         |           |                              |              |
|--|----------------------|----------------|----------------------|---------|-----------|------------------------------|--------------|
|  | Alcohol<br>Beverages | Soft<br>Drinks | Pharma-<br>ceuticals | Others  | Total     | Eliminations<br>or Corporate | Consolidated |
| 1. Sales and operating income:   |                      |                |                      |         |           |                              |              |
| Sales  |                      |                |                      |         |           |                              |              |
| Unaffiliated customers   | 1,189,478            | 411,254        | 69,909               | 130,522 | 1,801,164 | -                            | 1,801,164    |
| Inter-segment  | 35,798               | 63             | -                    | 25,119  | 60,980    | (60,980)                     | -            |
| Total sales  | 1,225,276            | 411,317        | 69,909               | 155,641 | 1,862,145 | (60,980)                     | 1,801,164    |
| Operating expenses   | 1,128,713            | 393,324        | 56,907               | 151,274 | 1,730,220 | (49,664)                     | 1,680,556    |
| Operating income   | 96,563               | 17,992         | 13,001               | 4,366   | 131,924   | (11,316)                     | 120,608      |
| 2. Assets, depreciation, loss on impairment<br>and capital expenditures: |                      |                |                      |         |           |                              |              |
| Assets   | 1,122,086            | 308,010        | 134,545              | 427,198 | 1,991,840 | 477,827                      | 2,469,667    |
| Depreciation and amortization  | 47,151               | 16,185         | 3,817                | 5,836   | 72,990    | 879                          | 73,870       |
| Loss on impairment   | 2,011                | 6              | -                    | 343     | 2,361     | -                            | 2,361        |
| Capital expenditures   | 43,547               | 18,167         | 2,977                | 8,263   | 72,956    | 728                          | 73,685       |

Business segments are classified based on business management framework in consideration of the type and nature of products.

Main products by each business segment are as follows:

| Business segment  | Main products   |
|-------------------|---|
| Alcohol beverages | Beer, sparkling malt liquor ( <i>Happo-shu</i> ), new genre, whiskey, spirits, wine, engineering, logistics, etc. |
| Soft drinks       | Soft drinks and other drinks  |
| Pharmaceuticals   | Pharmaceutical products   |
| Others            | Health foods & functional foods, floriculture, etc.   |

Unallocable operating expenses included in "Eliminations or Corporate" amount to ¥11,713 million, mainly consist of ¥9,055 million for Group administrative expenses due to the Company's transfer to a pure holding company and ¥2,657 million for research and development of basic technologies.

Due to the transfer of the Company into a pure holding company, from this second half consolidated accounting period, general corporate expenses, which were allocated to each segment based on sales criteria, are included in Eliminations or Corporate as Group administrative expenses of the Company.

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

Year ended December 31, 2007    ¥625,844 million

## CHANGES IN CLASSIFICATION OF BUSINESS SEGMENT

The Company introduced the pure holding company system on July 1, 2007, and implemented a restructuring of the Group's management structure. In governing the Group, clarification of the roles and responsibilities between the holding company and the operating companies will be made and the independence and mobility of each operating company will also be enhanced, while the holding company seeks to achieve a quantum leap in growth and create a group premium.

Accordingly, concomitant with its new management structure, the Company changed its method of business segment classification and now classifies them "based on business management framework in consideration of the type and nature of products" business segments had previously been classified "in consideration of the type and nature of products".

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



(¥ millions)

| Year ended December 31, 2008   |                      |                          |                      |         |           |                              |              |
|--|----------------------|--------------------------|----------------------|---------|-----------|------------------------------|--------------|
|  | Alcohol<br>Beverages | Soft Drinks<br>and Foods | Pharma-<br>ceuticals | Others  | Total     | Eliminations<br>or Corporate | Consolidated |
| 1. Sales and operating income:   |                      |                          |                      |         |           |                              |              |
| Sales  |                      |                          |                      |         |           |                              |              |
| Unaffiliated customers   | 1,181,509            | 716,688                  | 171,517              | 233,853 | 2,303,569 | -                            | 2,303,569    |
| Inter-segment  | 37,046               | 4,845                    | 428                  | 33,334  | 75,654    | (75,654)                     | -            |
| Total sales  | 1,218,556            | 721,533                  | 171,946              | 267,187 | 2,379,223 | (75,654)                     | 2,303,569    |
| Operating expenses   | 1,108,566            | 715,102                  | 143,745              | 248,907 | 2,216,321 | (58,730)                     | 2,157,591    |
| Operating income   | 109,989              | 6,431                    | 28,200               | 18,280  | 162,901   | (16,924)                     | 145,977      |
| 2. Assets, depreciation, loss on impairment<br>and capital expenditures: |                      |                          |                      |         |           |                              |              |
| Assets   | 1,075,161            | 607,995                  | 401,978              | 368,909 | 2,454,045 | 165,578                      | 2,619,623    |
| Depreciation and amortization  | 47,422               | 26,450                   | 7,628                | 12,341  | 93,843    | 1,908                        | 95,751       |
| Loss on impairment   | 1,418                | 26                       | 1,751                | 367     | 3,564     | -                            | 3,564        |
| Capital expenditures   | 60,834               | 30,450                   | 5,267                | 14,830  | 111,383   | 17,058                       | 128,441      |

Business segments are classified based on business management framework in consideration of the type and nature of products.

Main products by each business segment are as follows:

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

Unallocable operating expenses included in "Eliminations or Corporate" amount to ¥17,854 million, mainly consist of ¥14,779 million for Group administrative expenses due to the Company's transfer to a pure holding company and ¥3,074 million for research and development of basic technologies.

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

Year ended December 31, 2008    ¥576,293 million

#### CHANGES IN CLASSIFICATION OF BUSINESS SEGMENT

The Company acquired all outstanding shares in National Foods Limited, a dairy and beverage producer in Australia, at the end of the previous fiscal year, expanding business locations in the areas of food and health; seizing this opportunity to begin a new strategy to "develop health food and functional food business leveraging group synergies" as one of Kirin Group's management policies for the fiscal year. Under this strategy the Company has defined the domain identity of the health food and functional food business as "all foods that customers consciously consume for health reasons" and make efforts to strengthen this business Group-wide between companies that handle food materials—including soft drinks, dairy products, functional foods, and seasonings businesses.

In accordance with this revision of the group's management structure, from this fiscal year the businesses of food, health food and functional food etc., which had been included in the "Others" segment, have been reclassified into the "Soft Drinks" segment, as these businesses are managed as a package with the soft drinks business. And during this same time, the "Soft Drinks" segment was renamed "Soft Drinks and Foods."

For reference, business segment information for the previous fiscal year that shows the business classification to conform to this fiscal year is provided below:

(¥ millions)

| Year ended December 31, 2007   |                      |                          |                      |         |           |                              |              |
|--|----------------------|--------------------------|----------------------|---------|-----------|------------------------------|--------------|
|  | Alcohol<br>Beverages | Soft Drinks<br>and Foods | Pharma-<br>ceuticals | Others  | Total     | Eliminations<br>or Corporate | Consolidated |
| 1. Sales   |                      |                          |                      |         |           |                              |              |
| Unaffiliated customers   | 1,189,478            | 474,560                  | 69,909               | 67,216  | 1,801,164 | -                            | 1,801,164    |
| Inter-segment  | 35,798               | 1,344                    | -                    | 24,080  | 61,222    | (61,222)                     | -            |
| Total sales  | 1,225,276            | 475,904                  | 69,909               | 91,296  | 1,862,387 | (61,222)                     | 1,801,164    |
| Operating expenses   | 1,128,713            | 459,873                  | 56,907               | 84,967  | 1,730,462 | (49,906)                     | 1,680,556    |
| Operating income   | 96,563               | 16,030                   | 13,001               | 6,329   | 131,924   | (11,316)                     | 120,608      |
| 2. Assets, depreciation, loss on impairment<br>and capital expenditures: |                      |                          |                      |         |           |                              |              |
| Assets   | 1,122,086            | 652,126                  | 134,545              | 123,730 | 2,032,489 | 437,178                      | 2,469,667    |
| Depreciation and amortization  | 47,151               | 17,463                   | 3,817                | 4,557   | 72,990    | 879                          | 73,870       |
| Loss on impairment   | 2,011                | 349                      | -                    | -       | 2,361     | -                            | 2,361        |
| Capital expenditures   | 43,547               | 20,335                   | 2,977                | 6,095   | 72,956    | 728                          | 73,685       |

## b. Geographical segment information

(¥ millions)

| Year ended December 31, 2007   |           |                   |         |           |                              |              |
|--------------------------------|-----------|-------------------|---------|-----------|------------------------------|--------------|
|                                | Japan     | Asia /<br>Oceania | Others  | Total     | Eliminations<br>or Corporate | Consolidated |
| 1. Sales and operating income: |           |                   |         |           |                              |              |
| Sales                          |           |                   |         |           |                              |              |
| Unaffiliated customers         | 1,528,876 | 210,621           | 61,666  | 1,801,164 | -                            | 1,801,164    |
| Inter-segment                  | 3,988     | 2,116             | 4,765   | 10,870    | (10,870)                     | -            |
| Total sales                    | 1,532,865 | 212,737           | 66,431  | 1,812,034 | (10,870)                     | 1,801,164    |
| Operating expenses             | 1,442,502 | 176,855           | 60,429  | 1,679,786 | 769                          | 1,680,556    |
| Operating income               | 90,362    | 35,882            | 6,002   | 132,247   | (11,639)                     | 120,608      |
| 2. Assets                      | 1,075,143 | 699,575           | 219,203 | 1,993,922 | 475,745                      | 2,469,667    |

(¥ millions)

| Year ended December 31, 2008   |           |                   |         |           |                              |              |
|--------------------------------|-----------|-------------------|---------|-----------|------------------------------|--------------|
|                                | Japan     | Asia /<br>Oceania | Others  | Total     | Eliminations<br>or Corporate | Consolidated |
| 1. Sales and operating income: |           |                   |         |           |                              |              |
| Sales                          |           |                   |         |           |                              |              |
| Unaffiliated customers         | 1,787,875 | 438,097           | 77,596  | 2,303,569 | -                            | 2,303,569    |
| Inter-segment                  | 20,332    | 3,726             | 7,781   | 31,840    | (31,840)                     | -            |
| Total sales                    | 1,808,208 | 441,823           | 85,377  | 2,335,409 | (31,840)                     | 2,303,569    |
| Operating expenses             | 1,688,591 | 406,063           | 77,428  | 2,172,083 | (14,491)                     | 2,157,591    |
| Operating income               | 119,616   | 35,760            | 7,949   | 163,326   | (17,349)                     | 145,977      |
| 2. Assets                      | 1,659,115 | 632,128           | 174,351 | 2,465,594 | 154,029                      | 2,619,623    |

Geographical distances are considered in classification of country or area.

Major countries or areas included in each segment except for Japan are as follows:

|              |                                    |
|--------------|------------------------------------|
| Asia/Oceania | East Asia, Southeast Asia, Oceania |
| Others       | U.S.A., Europe                     |

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

c. Overseas sales

(¥ millions)

| Year ended December 31, 2007                         |                  |        |           |
|--|------------------|--------|-----------|
|  | Asia/<br>Oceania | Others | Total     |
| Overseas sales                                       | 219,150          | 65,073 | 284,223   |
| Consolidated sales                                   | -                | -      | 1,801,164 |
| Percentage of overseas sales over consolidated sales | 12.2%            | 3.6%   | 15.8%     |

(¥ millions)

| Year ended December 31, 2008                         |                  |         |           |
|--|------------------|---------|-----------|
|  | Asia/<br>Oceania | Others  | Total     |
| Overseas sales                                       | 465,604          | 107,191 | 572,795   |
| Consolidated sales                                   | -                | -       | 2,303,569 |
| Percentage of overseas sales over consolidated sales | 20.2%            | 4.7%    | 24.9%     |

Geographical distances are considered in classification of country or area.

Major countries or areas included in each segment except for Japan are as follows:

|              |                                    |
|--------------|------------------------------------|
| Asia/Oceania | East Asia, Southeast Asia, Oceania |
| Others       | U.S.A., Europe                     |

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

(OMISSION OF DISCLOSURE)

Disclosure of information regarding LEASE TRANSACTIONS, RELATED PARTIES TRANSACTION, DEFERRED INCOME TAXES, SECURITIES, DERIVATIVE TRANSACTIONS and EMPLOYEES' PENSION AND RETIREMENT BENEFITS are omitted because the need for such disclosure in the Summary of Consolidated Financial Statements is considered immaterial.

(BUSINESS COMBINATIONS)

(Application of purchase method)

The Company, former Kirin Pharma Company, Limited (now Kyowa Hakko Kirin Co., Ltd.: "Kirin Pharma"), and former Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.: "Kyowa Hakko Kogyo"), pursuant to the resolutions made at the respective meetings of the Boards of Directors of the three companies, have concluded a "Share Exchange Agreement" relating to a share exchange resulting in Kyowa Hakko Kogyo becoming the absolute parent company, and Kirin Pharma becoming a wholly owned subsidiary (the "Share Exchange") on October 22, 2007. Approval for the Share Exchange was obtained at the extraordinary general meeting of shareholders of Kyowa Hakko Kogyo held on February 29, 2008, and at the Ordinary General Meeting of Shareholders of Kirin Pharma held on March 26, 2008. The Share Exchange was executed with an effective date of April 1, 2008.

Although Kyowa Hakko Kogyo became the absolute parent company and Kirin Pharma became a wholly-owned subsidiary as the result of the Share Exchange, the Company became the parent company of Kyowa Hakko Kogyo through the acquisition by the Company of the shares of common stock of Kyowa Hakko Kogyo partly through the Share Exchange and partly through the acquisition of shares of common stock of Kyowa Hakko Kogyo on the open market during a tender offer period from October 31, 2007 to December 6, 2007. Accordingly, the Share Exchange is accounted for as a "reverse acquisition," with Kirin Pharma as the acquiring company and Kyowa Hakko Kogyo as the acquired company and the purchase method was to be applied based on Accounting Standard for Business Combinations (ASBJ) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10).

(1) Trade name and business description of acquired company, main reasons for business combination, date of business combination, legal description of business combination, trade name and share of acquired voting rights after business combination

(a) Trade name and business description of acquired company

Acquired company: Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.)

Business description: Production and sales of pharmaceutical products for medical professionals, raw materials for pharmaceutical/industrial use, healthcare products, products for the agriculture and livestock industry and the fishing industry, alcohol, etc.

(b) Main reasons for business combination

Both Kyowa Hakko Kogyo and Kirin Pharma, have common biotechnological strengths centered on antibody drug technology, and aim to improve their drug development capabilities by integrating their antibody drug technologies; expand opportunities to acquire novel antigens through an improved presence in the antibody drug sector; and increase development speed of antibody drugs by mutually exploiting each other's antibody technologies while proactively developing business overseas. Furthermore, the integration of Kyowa Hakko Kogyo and Kirin Pharma is expected to result in an increase in the scale of research and development and marketing, the establishment of a more efficient business operations systems and the further strengthening of the profitability and competitiveness of their pharmaceutical business: all of which is expected to contribute to a stronger operational base. To ensure these outcomes are effectively realized, an absorption-type merger (the "Merger") has executed through which Kyowa Hakko Kogyo has become the surviving company and Kirin Pharma has become the merging company. In the meantime, through this business combination, Kirin Pharma has become a wholly owned subsidiary of Kyowa Hakko Kogyo as a way of expediting the preparatory work for the subsequently planned Merger.

(c) Date of business combination

April 1, 2008

(d) Legal description of business combination

Share exchange resulting in Kyowa Hakko Kogyo becoming the absolute parent company, and Kirin Pharma becoming a wholly owned subsidiary of Kyowa Hakko Kogyo.

By purchasing shares of common stock of Kyowa Hakko Kogyo through the tender offer, the Company acquired a share of 27.95% of total issued shares of Kyowa Hakko Kogyo. As part of the subsequent Share Exchange, Kyowa Hakko Kogyo issued shares of common stock to Kirin Pharma's parent company, the Company, to make the Company a parent company of Kyowa Hakko Kogyo that owns shares equivalent to 50.10% of total issued shares of Kyowa Hakko Kogyo.

(e) Trade name after business combination

Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.)

Note that as part of the planned absorption-type merger between Kyowa Hakko Kogyo and Kirin Pharma effective on October 1, 2008 (the surviving company has become Kyowa Hakko Kogyo), the trade name was changed to Kyowa Hakko Kirin Co., Ltd.

For this absorption-type merger, Kyowa Hakko Kirin applied the "transactions under common control accounting treatment."

(f) Share of voting rights acquired by the Company

50.77%

(2) Period of operation of acquired company included in consolidated financial statements

April 1, 2008, to December 31, 2008

Note that the acquired company was an affiliate accounted for under the equity method during the period January 1, 2008 to March 31, 2008.

(3) Acquisition cost of acquired company and its breakdown

|   |                     |
|---|---------------------|
| Consideration for acquisition                 | 271,547 million yen |
| Expenditure directly required for acquisition |                     |
| Advisory fees etc.                            | 1,195 million yen   |
| Acquisition cost                              | 272,743 million yen |

The above amount listed as consideration paid on acquisition includes not only ¥105,980 million in shares of common stock of Kirin Pharma, but also the portion of acquisition that was by shares purchased in the tender offer ¥168,564 million in cash and changes of book value of investment accounted by the equity method [(¥1,800) million]. Note that the amount of consideration paid on acquisition for the Share Exchange was based on the market price of Kyowa Hakko Kogyo shares because Kyowa Hakko Kogyo is a public company and Kirin Pharma is a private company.

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

(a) Share exchange ratio by type of share

Kyowa Hakko Kogyo allocated and delivered 8,862 shares of its common stock for one (1) share of common stock of Kirin Pharma.

(b) Basis for calculation of share exchange ratio

Concerning Kyowa Hakko Kogyo's and Kirin Pharma's basis for calculation of the share exchange ratio, Kyowa Hakko Kogyo appointed Merrill Lynch Japan Securities Co., Ltd. ("Merrill Lynch") and Kirin Pharma appointed JPMorgan Securities Japan Co., Ltd. ("JPMorgan") as the financial advisors.

Merrill Lynch, to calculate the share exchange ratio, employed various analyses, including discounted cash flow analysis, comparable companies analysis, market price analysis, comparable transactions analysis, contribution analysis, earnings per share accretion/dilution analysis, value creation analysis, and reviewed and considered such analyses as a whole.

JPMorgan, to calculate the share exchange ratio, employed various analyses, including comparable companies analysis, discounted cash flow analysis, and profit contribution analysis.

While referring to the analysis results of the respective financial advisors, the relevant parties engaged in deliberation to decide on the share exchange ratio.

(c) Number and value of shares delivered

|                            |                     |
|----------------------------|---------------------|
| Number of delivered shares | 177,240,000 shares  |
| Value of delivered shares  | 105,980 million yen |

(5) Amount of goodwill, reason that the goodwill arose, and method and period of amortization

(a) Amount of goodwill

128,868 million yen

(b) Reason that the goodwill arose

The goodwill arose from the future excess profitability that is expected, including synergetic factors, as a result of expanding business. The amount of goodwill listed above takes into account the premium payment made for the purchase of shares in the tender offer.

(c) Method and period of amortization

Straight-line method over a period of 20 years

(6) Amounts of assets and liabilities received and incurred on the date of business combination and breakdown

|                       |                     |
|-----------------------|---------------------|
| Current assets        | 235,695 million yen |
| Fixed assets          | 225,788 million yen |
| Total assets          | 461,484 million yen |
| Current liabilities   | 117,957 million yen |
| Long-term liabilities | 53,964 million yen  |
| Total liabilities     | 171,922 million yen |

Note: "Amount of goodwill" in (5) (a) is not included in amounts of assets and liabilities.

(7) Estimated impact on the consolidated statement of income for the current fiscal year, assuming the business combination had been completed at the beginning of the current fiscal year

|   |                     |
|---|---------------------|
| Sales   | 94,438 million yen  |
| Operating income                                  | 5,373 million yen   |
| Ordinary income                                   | 4,877 million yen   |
| Income before income taxes and minority interests | (1,057) million yen |
| Net income  | (666) million yen   |
| Net income per share                              | (0.70) yen          |

(Basis for calculation of estimate and significant assumptions)

1. The estimated impact provided above expresses the difference between the estimated sales and earnings data assuming that the business combination had been completed at the beginning of the current fiscal year and the actual sales and earnings data presented in the Company's consolidated statement of income. Equity in earning of affiliates for the period before the completion of the Share Exchange has been reported in the consolidated statement of income.
2. Net income per share has been calculated based on division by 954,466 thousand shares, the average number of shares for the year.

## (PER SHARE INFORMATION)

| Year ended December 31, 2007  |            | Year ended December 31, 2008  |          |
|---|------------|---|----------|
| Net assets per share:   | ¥ 1,104.83 | Net assets per share:   | ¥ 972.19 |
| Net income per share (Primary):   | ¥ 69.86    | Net income per share (Primary):   | ¥ 84.01  |
| Net income per share (Diluted) was not presented because there was no potential common stock outstanding. |            | Net income per share (Diluted) was not presented because there was no potential common stock outstanding which is dilutive. |          |

Note 1: The basis for calculation was as follows:

|  |                       | Year ended<br>December 31, 2007 | Year ended<br>December 31, 2008 |
|--|-----------------------|---------------------------------|---------------------------------|
| Total net assets   | (¥ millions)          | 1,099,555                       | 1,149,998                       |
| Amounts deducted from total net assets   | (¥ millions)          | 44,744                          | 222,185                         |
| [Subscription rights to shares included in the above]                            | (¥ millions)          | [-]                             | [162]                           |
| [Minority interest included in the above]  | (¥ millions)          | [44,744]                        | [222,023]                       |
| Net assets attributable to common stock at the end of year                       | (¥ millions)          | 1,054,811                       | 927,812                         |
| Number of common stock used to calculate net assets per share at the end of year | (thousands of shares) | 954,729                         | 954,350                         |

Note 2: The basis for calculation of Net income per share was as follows:

|  |                       | Year ended<br>December 31, 2007 | Year ended<br>December 31, 2008 |
|--|-----------------------|---------------------------------|---------------------------------|
| Net income   | (¥ millions)          | 66,713                          | 80,182                          |
| Amounts not attributable to common stock                   | (¥ millions)          | -                               | -                               |
| Net income attributable to common stock                    | (¥ millions)          | 66,713                          | 80,182                          |
| Average number of common stock outstanding during the year | (thousands of shares) | 954,971                         | 954,466                         |

## (SIGNIFICANT SUBSEQUENT EVENTS)

There is no matter that fall under this item.

## 6. NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR

### NON-CONSOLIDATED BALANCE SHEETS

(¥ millions)

| ASSETS   | At<br>December 31, 2007 |                                    | At<br>December 31, 2008 |                                    | Increase<br>(Decrease) |
|--|-------------------------|------------------------------------|-------------------------|------------------------------------|------------------------|
|  | Amount                  | Percentage<br>over total<br>assets | Amount                  | Percentage<br>over total<br>assets | Amount                 |
|  |                         |                                    |                         |                                    |                        |
| Current Assets   |                         |                                    |                         |                                    |                        |
| Cash   | 18,989                  |                                    | 20,866                  |                                    | 1,877                  |
| Accounts receivable, trade                                   | 319                     |                                    | 328                     |                                    | 9                      |
| Deferred tax assets  | 1,993                   |                                    | 3,215                   |                                    | 1,222                  |
| Short-term loans receivable from subsidiaries and affiliates | 116,804                 |                                    | 182,569                 |                                    | 65,765                 |
| Income tax receivable  | 10,598                  |                                    | 9,070                   |                                    | (1,528)                |
| Consumption tax receivable                                   | 9,094                   |                                    | 8,140                   |                                    | (954)                  |
| Other  | 8,499                   |                                    | 10,545                  |                                    | 2,046                  |
| Allowance for doubtful accounts                              | (2,733)                 |                                    | (5,554)                 |                                    | (2,821)                |
| Total Current Assets   | 163,565                 | 10.1                               | 229,181                 | 16.3                               | 65,616                 |
| Fixed Assets   |                         |                                    |                         |                                    |                        |
| Property, plant and equipment                                |                         |                                    |                         |                                    |                        |
| Buildings (Purchase price)                                   | 82,227                  |                                    | 82,271                  |                                    |                        |
| Less accumulated depreciation                                | (43,999)                |                                    | (45,730)                |                                    |                        |
| Buildings (Book value)                                       | 38,227                  |                                    | 36,541                  |                                    | (1,686)                |
| Structures (Purchase price)                                  | 6,868                   |                                    | 6,796                   |                                    |                        |
| Less accumulated depreciation                                | (4,626)                 |                                    | (4,719)                 |                                    |                        |
| Structures (Book value)                                      | 2,242                   |                                    | 2,076                   |                                    | (166)                  |
| Machinery and equipment (Purchase price)                     | 2,055                   |                                    | 2,029                   |                                    |                        |
| Less accumulated depreciation                                | (1,738)                 |                                    | (1,756)                 |                                    |                        |
| Machinery and equipment (Book value)                         | 317                     |                                    | 272                     |                                    | (45)                   |
| Vehicles (Purchase price)                                    | 51                      |                                    | 74                      |                                    |                        |
| Less accumulated depreciation                                | (33)                    |                                    | (45)                    |                                    |                        |
| Vehicles (Book value)  | 18                      |                                    | 28                      |                                    | 10                     |
| Tools (Purchase price)                                       | 8,628                   |                                    | 9,263                   |                                    |                        |
| Less accumulated depreciation                                | (6,021)                 |                                    | (6,558)                 |                                    |                        |
| Tools (Book value)   | 2,607                   |                                    | 2,704                   |                                    | 97                     |
| Land   | 25,084                  |                                    | 26,717                  |                                    | 1,633                  |
| Construction in progress                                     | 4,677                   |                                    | 12,738                  |                                    | 8,061                  |
| Total  | 73,174                  | 4.5                                | 81,080                  | 5.8                                | 7,906                  |

(¥ millions)

| ASSETS  | At<br>December 31, 2007 |                                    | At<br>December 31, 2008 |                                    | Increase<br>(Decrease) |
|---|-------------------------|------------------------------------|-------------------------|------------------------------------|------------------------|
|   | Amount                  | Percentage<br>over total<br>assets | Amount                  | Percentage<br>over total<br>assets | Amount                 |
|   |                         |                                    |                         |                                    |                        |
| Intangible Assets   |                         |                                    |                         |                                    |                        |
| Leasehold rights  | 60                      |                                    | 60                      |                                    | -                      |
| Trademarks  | -                       |                                    | 9                       |                                    | 9                      |
| Utility rights  | 25                      |                                    | 17                      |                                    | (8)                    |
| Total   | 86                      | 0.0                                | 87                      | 0.0                                | 1                      |
| Investments and Other Assets  |                         |                                    |                         |                                    |                        |
| Investment securities   | 225,291                 |                                    | 124,442                 |                                    | (100,849)              |
| Investments in subsidiaries and affiliates (capital stock)                      | 1,112,692               |                                    | 756,271                 |                                    | (356,421)              |
| Other investments   | 6                       |                                    | 6                       |                                    | -                      |
| Investments in equity of subsidiaries and affiliates (other than capital stock) | 18,620                  |                                    | 18,620                  |                                    | -                      |
| Long-term loans receivable  | 338                     |                                    | 338                     |                                    | -                      |
| Long-term loans receivable from subsidiaries and affiliates                     | 16,062                  |                                    | 141,076                 |                                    | 125,014                |
| Receivables from debtors in bankruptcy or reorganization proceedings            | 5,365                   |                                    | 12,141                  |                                    | 6,776                  |
| Deferred tax assets   | -                       |                                    | 22,861                  |                                    | 22,861                 |
| Currency swap   | -                       |                                    | 20,085                  |                                    | 20,085                 |
| Other   | 8,542                   |                                    | 7,585                   |                                    | (957)                  |
| Allowance for doubtful accounts   | (3,190)                 |                                    | (9,897)                 |                                    | (6,707)                |
| Total   | 1,383,729               | 85.4                               | 1,093,533               | 77.9                               | (290,196)              |
| Total Fixed Assets  | 1,456,990               | 89.9                               | 1,174,700               | 83.7                               | (282,290)              |
| TOTAL ASSETS  | 1,620,556               | 100.0                              | 1,403,882               | 100.0                              | (216,674)              |



(¥ millions)

| LIABILITIES  | At<br>December 31, 2007 |                                    | At<br>December 31, 2008 |                                    | Increase<br>(Decrease) |
|--|-------------------------|------------------------------------|-------------------------|------------------------------------|------------------------|
|  | Amount                  | Percentage<br>over total<br>assets | Amount                  | Percentage<br>over total<br>assets | Amount                 |
|  |                         |                                    |                         |                                    |                        |
| Current Liabilities  |                         |                                    |                         |                                    |                        |
| Notes payable, trade   | 75                      |                                    | 120                     |                                    | 45                     |
| Short-term loans payable and long-term debt with<br>current maturities | 316,376                 |                                    | 78,900                  |                                    | (237,476)              |
| Short-term loans payable to subsidiaries and affiliates                | 278,084                 |                                    | 62,399                  |                                    | (215,685)              |
| Bonds due within one year  | -                       |                                    | 40,000                  |                                    | 40,000                 |
| Other accounts payable   | 3,826                   |                                    | 5,077                   |                                    | 1,251                  |
| Income taxes payable   | -                       |                                    | 1,052                   |                                    | 1,052                  |
| Accrued expenses   | 2,566                   |                                    | 2,582                   |                                    | 16                     |
| Allowance for employees' bonuses                                       | 416                     |                                    | 506                     |                                    | 90                     |
| Allowance for bonuses for directors and<br>corporate auditors          | 239                     |                                    | 137                     |                                    | (102)                  |
| Reserve for loss on repurchase of land                                 | 2,987                   |                                    | -                       |                                    | (2,987)                |
| Other  | 214                     |                                    | 381                     |                                    | 167                    |
| Total Current Liabilities  | 604,786                 | 37.3                               | 191,156                 | 13.6                               | (413,630)              |
| Long-term Liabilities  |                         |                                    |                         |                                    |                        |
| Bonds  | 40,000                  |                                    | 199,941                 |                                    | 159,941                |
| Long-term debt   | 50,000                  |                                    | 163,887                 |                                    | 113,887                |
| Long-term debt from subsidiaries and affiliates                        | 4,470                   |                                    | 3,195                   |                                    | (1,275)                |
| Deferred tax liabilities   | 22,630                  |                                    | -                       |                                    | (22,630)               |
| Employees' pension and retirement benefits                             | 261                     |                                    | 263                     |                                    | 2                      |
| Reserve for loss on repurchase of land                                 | -                       |                                    | 1,068                   |                                    | 1,068                  |
| Other  | 26,977                  |                                    | 26,223                  |                                    | (754)                  |
| Total Long-term Liabilities  | 144,339                 | 8.9                                | 394,578                 | 28.1                               | 250,239                |
| TOTAL LIABILITIES  | 749,126                 | 46.2                               | 585,734                 | 41.7                               | (163,392)              |

(¥ millions)

| NET ASSETS                                       | At                |                                    | At                |                                    | Increase   |
|--|-------------------|------------------------------------|-------------------|------------------------------------|------------|
|  | December 31, 2007 |                                    | December 31, 2008 |                                    | (Decrease) |
|  | Amount            | Percentage<br>over total<br>assets | Amount            | Percentage<br>over total<br>assets | Amount     |
| Shareholders' equity                             |                   |                                    |                   |                                    |            |
| Common stock                                     | 102,045           | 6.3                                | 102,045           | 7.3                                | -          |
| Capital surplus                                  |                   |                                    |                   |                                    |            |
| Additional paid-in capital                       | 70,868            |                                    | 70,868            |                                    | -          |
| Other capital surplus                            | 485               |                                    | 668               |                                    | 183        |
| Total capital surplus                            | 71,353            | 4.4                                | 71,536            | 5.1                                | 183        |
| Retained earnings                                |                   |                                    |                   |                                    |            |
| Legal reserve                                    | 25,511            |                                    | 25,511            |                                    | -          |
| Other retained earnings                          |                   |                                    |                   |                                    |            |
| Reserve for special depreciation                 | 71                |                                    | 27                |                                    |            |
| Reserve for deferred gain on sale<br>of property | 1,412             |                                    | 1,336             |                                    |            |
| General reserve                                  | 531,367           |                                    | 554,367           |                                    |            |
| Retained earnings brought forward                | 93,709            |                                    | 76,081            |                                    |            |
| Total other retained earnings                    | 626,562           |                                    | 631,813           |                                    | 5,251      |
| Total retained earnings                          | 652,073           | 40.2                               | 657,325           | 46.8                               | 5,251      |
| Treasury stock, at cost                          | (28,170)          | (1.7)                              | (29,058)          | (2.1)                              | (888)      |
| Total shareholders' equity                       | 797,302           | 49.2                               | 801,849           | 57.1                               | 4,547      |
| Valuation and translation adjustments            |                   |                                    |                   |                                    |            |
| Net unrealized holding gains on securities       | 74,169            |                                    | 16,306            |                                    | (57,863)   |
| Deferred gains or losses on hedges               | (41)              |                                    | (7)               |                                    | 34         |
| Total valuation and translation<br>adjustments   | 74,127            | 4.6                                | 16,298            | 1.2                                | (57,829)   |
| TOTAL NET ASSETS                                 | 871,430           | 53.8                               | 818,147           | 58.3                               | (53,283)   |
| TOTAL LIABILITIES AND NET ASSETS                 | 1,620,556         | 100.0                              | 1,403,882         | 100.0                              | (216,674)  |

# NON-CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

|   | Year ended<br>December 31, 2007 |                          | Year ended<br>December 31, 2008 |                          | Increase<br>(Decrease) |
|---|---------------------------------|--------------------------|---------------------------------|--------------------------|------------------------|
|   | Amount                          | Percentage<br>over sales | Amount                          | Percentage<br>over sales | Amount                 |
| Sales (1)   | 425,687                         |                          | -                               |                          | (425,687)              |
| Operating revenue (2)   |                                 |                          |                                 |                          |                        |
| Group management revenue  | 7,504                           |                          | 13,075                          |                          |                        |
| Revenue from real estate business   | 2,850                           |                          | 5,735                           |                          |                        |
| Dividends revenue from subsidiaries and affiliates                        | 1,129                           |                          | 55,725                          |                          |                        |
| Total   | 11,484                          |                          | 74,536                          |                          | 63,052                 |
| Revenue from operating activities (1)+(2)                                 | 437,172                         | 100.0                    | 74,536                          | 100.0                    | (362,636)              |
| Cost of sales (3)   |                                 |                          |                                 |                          |                        |
| Inventory at beginning of year  | 12,678                          |                          | -                               |                          |                        |
| Production cost of goods sold   | 105,084                         |                          | -                               |                          |                        |
| Amount of goods purchased   | 16,586                          |                          | -                               |                          |                        |
| Liquor taxes  | 174,351                         |                          | -                               |                          |                        |
| Cost of revenue from real estate business                                 | 1,747                           |                          | -                               |                          |                        |
| Total   | 310,449                         |                          | -                               |                          |                        |
| Transfer to other accounts  | 3,180                           |                          | -                               |                          |                        |
| Decrease due to corporate split   | 17,780                          |                          | -                               |                          |                        |
| Inventory at end of year  | -                               |                          | -                               |                          |                        |
| Total   | 289,488                         | 66.2                     | -                               | -                        | (289,488)              |
| Gross profit (1)-(3)  | [136,198]                       | [31.2]                   | -                               | -                        | [(136,198)]            |
| Selling, general and administrative expenses (4)                          | 121,356                         | 27.8                     | -                               | -                        | (121,356)              |
| Operating expenses (5)  |                                 |                          |                                 |                          |                        |
| Expenses on real estate business  | 1,471                           |                          | 2,947                           |                          |                        |
| General and administrative expenses                                       | 10,773                          |                          | 18,093                          |                          |                        |
| Total   | 12,245                          | 2.8                      | 21,041                          | 28.2                     | 8,796                  |
| COS and expenses from operating activities (3)+(4)+(5)                    | 423,090                         |                          | 21,041                          |                          |                        |
| Operating income  | 14,081                          | 3.2                      | 53,495                          | 71.8                     | 39,414                 |
| Non-operating income  |                                 |                          |                                 |                          |                        |
| Interest income   | 1,834                           |                          | 7,602                           |                          |                        |
| Security interest   | 291                             |                          | 96                              |                          |                        |
| Dividend income   | 18,939                          |                          | 3,346                           |                          |                        |
| Rental income   | 1,444                           |                          | 1,726                           |                          |                        |
| Other   | 2,156                           |                          | 1,554                           |                          |                        |
| Total   | 24,666                          | 5.6                      | 14,325                          | 19.2                     | (10,341)               |
| Non-operating expenses  |                                 |                          |                                 |                          |                        |
| Interest expense  | 2,489                           |                          | 7,619                           |                          |                        |
| Interest on bonds   | 479                             |                          | 2,691                           |                          |                        |
| Loss on disposal of finished goods  | 487                             |                          | -                               |                          |                        |
| Doubtful accounts expense   | 2,086                           |                          | 6,939                           |                          |                        |
| Expenses of reserve for loss on repurchase of land                        | -                               |                          | 332                             |                          |                        |
| Other   | 2,329                           |                          | 3,164                           |                          |                        |
| Total   | 7,872                           | 1.8                      | 20,746                          | 27.8                     | 12,874                 |
| Ordinary income   | 30,875                          | 7.1                      | 47,074                          | 63.2                     | 16,199                 |
| Special income  |                                 |                          |                                 |                          |                        |
| Gain on sale of fixed assets  | 13,511                          |                          | 4,143                           |                          |                        |
| Reversal of allowance for doubtful accounts                               | 426                             |                          | -                               |                          |                        |
| Gain on sale of investment securities                                     | 405                             |                          | 2,250                           |                          |                        |
| Gain on sale of shares of subsidiaries and affiliates                     | 1,384                           |                          | -                               |                          |                        |
| Reversal of reserve for losses on guarantees                              | 62                              |                          | -                               |                          |                        |
| Gain on transfer of real estate in trust                                  | 1,089                           |                          | -                               |                          |                        |
| Compensation income for expropriation                                     | -                               |                          | 332                             |                          |                        |
| Total   | 16,880                          | 3.9                      | 6,726                           | 9.0                      | (10,154)               |
| Special expenses  |                                 |                          |                                 |                          |                        |
| Loss on disposal of fixed assets  | 2,167                           |                          | 439                             |                          |                        |
| Loss on sale of fixed assets  | 489                             |                          | 51                              |                          |                        |
| Loss on impairment  | -                               |                          | 187                             |                          |                        |
| Loss on devaluation of investment securities                              | 3                               |                          | 9                               |                          |                        |
| Loss on sale of investment securities                                     | 10                              |                          | 600                             |                          |                        |
| Loss on devaluation of investments in subsidiaries and affiliates         | 444                             |                          | 22,902                          |                          |                        |
| Doubtful accounts expense on receivables from subsidiaries and affiliates | -                               |                          | 2,649                           |                          |                        |
| Total   | 3,116                           | 0.7                      | 26,841                          | 36.0                     | 23,725                 |
| Income before income taxes  | 44,639                          | 10.2                     | 26,959                          | 36.2                     | (17,680)               |
| Income taxes  |                                 |                          |                                 |                          |                        |
| Income taxes-current  | 6,200                           |                          | 6,300                           |                          |                        |
| Income taxes-deferred   | 4,962                           |                          | (7,024)                         |                          |                        |
| Total   | 11,162                          | 2.6                      | (724)                           | (1.0)                    | (11,886)               |
| Net income  | 33,476                          | 7.7                      | 27,684                          | 37.1                     | (5,792)                |

# NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(Year ended December 31, 2007)

(¥ millions)

|   | Shareholders' equity |                            |                       |                       |                   |                                  |   |                       |                 |                                   |                         |                |                            |
|---|----------------------|----------------------------|-----------------------|-----------------------|-------------------|----------------------------------|---|-----------------------|-----------------|-----------------------------------|-------------------------|----------------|----------------------------|
|   | Common stock         | Capital surplus            |                       |                       | Retained earnings |                                  |   |                       |                 |                                   |                         | Treasury stock | Total shareholders' equity |
|   |                      | Additional paid-in capital | Other capital surplus | Total capital surplus | Legal reserve     | Other retained earnings          |   |                       |                 |                                   | Total retained earnings |                |                            |
|   |                      |                            |                       |                       |                   | Reserve for special depreciation | Reserve for deferred gain on sale of property | Reserve for dividends | General reserve | Retained earnings brought forward |                         |                |                            |
| Balance as of December 31, 2006                           | 102,045              | 70,868                     | 245                   | 71,114                | 25,511            | 913                              | 12,554  | 6,450                 | 494,367         | 95,992                            | 635,789                 | (26,796)       | 782,153                    |
| Changes of items during the period                        |                      |                            |                       |                       |                   |                                  |   |                       |                 |                                   |                         |                |                            |
| Provision for reserve for special depreciation            |                      |                            |                       |                       |                   | 3                                |   |                       |                 | (3)                               | -                       |                | -                          |
| Reversal of reserve for special depreciation              |                      |                            |                       |                       |                   | (209)                            |   |                       |                 | 209                               | -                       |                | -                          |
| Reversal of reserve for deferred gain on sale of property |                      |                            |                       |                       |                   |                                  | (113)   |                       |                 | 113                               | -                       |                | -                          |
| Provision for general reserve                             |                      |                            |                       |                       |                   |                                  |   |                       | 37,000          | (37,000)                          | -                       |                | -                          |
| Dividends from surplus                                    |                      |                            |                       |                       |                   |                                  |   | (6,450)               |                 | (2,148)                           | (8,598)                 |                | (8,598)                    |
| Dividends from surplus (interim dividends)                |                      |                            |                       |                       |                   |                                  |   |                       |                 | (8,594)                           | (8,594)                 |                | (8,594)                    |
| Net income  |                      |                            |                       |                       |                   |                                  |   |                       |                 | 33,476                            | 33,476                  |                | 33,476                     |
| Acquisition of treasury stock                             |                      |                            |                       |                       |                   |                                  |   |                       |                 |                                   |                         | (1,711)        | (1,711)                    |
| Disposal of treasury stock                                |                      |                            | 239                   | 239                   |                   |                                  |   |                       |                 |                                   |                         | 337            | 576                        |
| Reversal due to corporate split                           |                      |                            |                       |                       |                   | (635)                            | (11,028)                                      |                       |                 | 11,664                            | -                       |                | -                          |
| Net changes of items other than shareholders' equity      |                      |                            |                       |                       |                   |                                  |   |                       |                 |                                   |                         |                |                            |
| Total changes of items during the period                  |                      |                            | 239                   | 239                   |                   | (841)                            | (11,141)                                      | (6,450)               | 37,000          | (2,282)                           | 16,284                  | (1,373)        | 15,149                     |
| Balance as of December 31, 2007                           | 102,045              | 70,868                     | 485                   | 71,353                | 25,511            | 71                               | 1,412   | -                     | 531,367         | 93,709                            | 652,073                 | (28,170)       | 797,302                    |

|   | Valuation and translation adjustments      |                                    |   | Total net assets |
|---|--|------------------------------------|---|------------------|
|   | Net unrealized holding gains on securities | Deferred gains or losses on hedges | Total valuation and translation adjustments |                  |
| Balance as of December 31, 2006                           | 94,080                                     | (76)                               | 94,004                                      | 876,157          |
| Changes of items during the period                        |  |                                    |   |                  |
| Provision for reserve for special depreciation            |  |                                    |   | -                |
| Reversal of reserve for special depreciation              |  |                                    |   | -                |
| Reversal of reserve for deferred gain on sale of property |  |                                    |   | -                |
| Provision for general reserve                             |  |                                    |   | -                |
| Dividends from surplus                                    |  |                                    |   | (8,598)          |
| Dividends from surplus (interim dividends)                |  |                                    |   | (8,594)          |
| Net income  |  |                                    |   | 33,476           |
| Acquisition of treasury stock                             |  |                                    |   | (1,711)          |
| Disposal of treasury stock                                |  |                                    |   | 576              |
| Reversal due to corporate split                           |  |                                    |   | -                |
| Net changes of items other than shareholders' equity      | (19,910)                                   | 34                                 | (19,876)                                    | (19,876)         |
| Total changes of items during the period                  | (19,910)                                   | 34                                 | (19,876)                                    | (4,726)          |
| Balance as of December 31, 2007                           | 74,169                                     | (41)                               | 74,127                                      | 871,430          |

(Year ended December 31, 2008)

(¥ millions)

|   | Shareholders' equity |                            |                       |                       |                   |                                  |   |                 |                                   |                         |                |                            |
|---|----------------------|----------------------------|-----------------------|-----------------------|-------------------|----------------------------------|---|-----------------|-----------------------------------|-------------------------|----------------|----------------------------|
|   | Common stock         | Capital surplus            |                       |                       | Retained earnings |                                  |   |                 |                                   |                         | Treasury stock | Total shareholders' equity |
|   |                      | Additional paid-in capital | Other capital surplus | Total capital surplus | Legal reserve     | Other retained earnings          |   |                 |                                   | Total retained earnings |                |                            |
|   |                      |                            |                       |                       |                   | Reserve for special depreciation | Reserve for deferred gain on sale of property | General reserve | Retained earnings brought forward |                         |                |                            |
| Balance as of December 31, 2007                           | 102,045              | 70,868                     | 485                   | 71,353                | 25,511            | 71                               | 1,412   | 531,367         | 93,709                            | 652,073                 | (28,170)       | 797,302                    |
| Changes of items during the period                        |                      |                            |                       |                       |                   |                                  |   |                 |                                   |                         |                |                            |
| Reversal of reserve for special depreciation              |                      |                            |                       |                       |                   | (43)                             |   |                 | 43                                | -                       |                | -                          |
| Reversal of reserve for deferred gain on sale of property |                      |                            |                       |                       |                   |                                  | (76)  |                 | 76                                | -                       |                | -                          |
| Provision for general reserve                             |                      |                            |                       |                       |                   |                                  |   | 23,000          | (23,000)                          | -                       |                | -                          |
| Dividends from surplus                                    |                      |                            |                       |                       |                   |                                  |   |                 | (11,456)                          | (11,456)                |                | (11,456)                   |
| Dividends from surplus (interim dividends)                |                      |                            |                       |                       |                   |                                  |   |                 | (10,975)                          | (10,975)                |                | (10,975)                   |
| Net income  |                      |                            |                       |                       |                   |                                  |   |                 | 27,684                            | 27,684                  |                | 27,684                     |
| Acquisition of treasury stock                             |                      |                            |                       |                       |                   |                                  |   |                 |                                   |                         | (1,372)        | (1,372)                    |
| Disposal of treasury stock                                |                      |                            | 182                   | 182                   |                   |                                  |   |                 |                                   |                         | 484            | 667                        |
| Net changes of items other than shareholders' equity      |                      |                            |                       |                       |                   |                                  |   |                 |                                   |                         |                |                            |
| Total changes of items during the period                  |                      |                            | 182                   | 182                   |                   | (43)                             | (76)  | 23,000          | (17,628)                          | 5,251                   | (887)          | 4,546                      |
| Balance as of December 31, 2008                           | 102,045              | 70,868                     | 668                   | 71,536                | 25,511            | 27                               | 1,336   | 554,367         | 76,081                            | 657,325                 | (29,058)       | 801,849                    |

|   | Valuation and translation adjustments      |                                    |   | Total net assets |
|---|--|------------------------------------|---|------------------|
|   | Net unrealized holding gains on securities | Deferred gains or losses on hedges | Total valuation and translation adjustments |                  |
| Balance as of December 31, 2007                           | 74,169                                     | (41)                               | 74,127                                      | 871,430          |
| Changes of items during the period                        |  |                                    |   |                  |
| Reversal of reserve for special depreciation              |  |                                    |   | -                |
| Reversal of reserve for deferred gain on sale of property |  |                                    |   | -                |
| Provision for general reserve                             |  |                                    |   | -                |
| Dividends from surplus                                    |  |                                    |   | (11,456)         |
| Dividends from surplus (interim dividends)                |  |                                    |   | (10,975)         |
| Net income  |  |                                    |   | 27,684           |
| Acquisition of treasury stock                             |  |                                    |   | (1,372)          |
| Disposal of treasury stock                                |  |                                    |   | 667              |
| Net changes of items other than shareholders' equity      | (57,863)                                   | 34                                 | (57,828)                                    | (57,828)         |
| Total changes of items during the period                  | (57,863)                                   | 34                                 | (57,828)                                    | (53,282)         |
| Balance as of December 31, 2008                           | 16,306                                     | (7)                                | 16,298                                      | 818,147          |

#### NOTE TO PREMISE OF GOING CONCERN

There is no matter that fall under this item.

# **Supplementary Documents to the Financial Statements for the Year Ended December 31, 2008**

1. Results of Operations
2. Scope of Consolidation and Application of Equity Method
3. Sales Details
4. Profit Breakdown for the Current Fiscal Year  
(Comparison with last fiscal year)
5. Major Expenses and Others
6. Major Fluctuations of Balance Sheets
7. Profit Breakdown for the Next Fiscal Year (Forecast)

## **(Reference Material)**

1. Guide to Kirin Group Consolidated Financial Indices
2. Information by Segment
3. Results of Operations by Major Companies (Consolidated)
4. Sales Details of Alcohol Beverages  
(Kirin Brewery Company, Limited)
5. Sales Details of Soft Drink Beverages (Kirin Beverage Group)
6. Sales Details of Pharmaceuticals (Kyowa Hakko Kirin Co., Ltd.)

**KIRIN HOLDINGS COMPANY, LIMITED**

**February 10, 2009**

## 1. Results of Operations

(¥ billions)

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

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

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

## 2. Scope of Consolidation and Application of Equity Method

(Number of companies)

|  | 2007   | 2008   | 2009     |
|--|--------|--------|----------|
|  | Actual | Actual | Forecast |
| Consolidated subsidiaries                                      | 345    | 371    | 368      |
| Unconsolidated subsidiaries accounted for by the equity method | 0      | 1      | 1        |
| Affiliated companies accounted for by the equity method        | 22     | 26     | 26       |

### 3. Sales Details

|   | 2007          |                        | 2008          |                        | 2009          |                        |
|---|---------------|------------------------|---------------|------------------------|---------------|------------------------|
|   | Actual        |                        | Actual        |                        | Forecast      |                        |
| Sales volume<br>(year-on-year rate)               |               |                        |               |                        |               |                        |
| Alcohol beverages                                 | Thousand KL   | Increase<br>(Decrease) | Thousand KL   | Increase<br>(Decrease) | Thousand KL   | Increase<br>(Decrease) |
| Beer, <i>Happo-shu</i> and New genre              | 3,388         | (0.3%)                 | 3,325         | (1.8%)                 | 3,306         | (0.6%)                 |
|   | Million cases |                        | Million cases | *1                     | Million cases | *1                     |
| Soft drinks                                       | 239           | 4.5%                   | 241           | 0.5%                   | 246           | 2.4%                   |
| Sales by business segments<br>(year-on-year rate) | ¥ billions    | Increase<br>(Decrease) | ¥ billions    | Increase<br>(Decrease) | ¥ billions    | Increase<br>(Decrease) |
| Total sales                                       | 1,801.1       | 8.1%                   | 2,303.5       | 27.9%                  | 2,300.0       | (0.2%)                 |
| Alcohol beverages                                 | 1,189.4       | 8.2%                   | 1,181.5       | (0.7%)                 | 1,095.0       | (7.3%)                 |
| Beer, <i>Happo-shu</i> and New genre              | 970.8         | 2.4%                   | 959.7         | (1.1%)                 | 881.5         | (8.1%)                 |
| Other alcohol beverages                           | 184.5         | 59.8%                  | 173.4         | (6.0%)                 | 172.0         | (0.9%)                 |
| Other *2  | 34.0          | (5.3%)                 | 48.3          | 41.7%                  | 41.5          | (14.1%)                |
| Soft drinks and Foods *2                          | 474.5         | 3.1%                   | 716.6         | 51.0%                  | 740.0         | 3.3%                   |
| Pharmaceuticals                                   | 69.9          | 4.0%                   | 171.5         | 145.3%                 | 200.0         | 16.6%                  |
| Other business *2                                 | 67.2          | 71.3%                  | 233.8         | 247.9%                 | 265.0         | 13.3%                  |
| Biochemical                                       | -             | -                      | 59.1          | -                      | 80.0          | 35.3%                  |
| Chemical  | -             | -                      | 67.1          | -                      | 61.0          | (9.2%)                 |
| Agribio   | 21.5          | 14.6%                  | 21.0          | (2.5%)                 | 16.0          | (23.9%)                |
| Other   | 45.6          | 123.6%                 | 86.4          | 89.5%                  | 108.0         | 24.9%                  |

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

\*2 Please refer to a. Business segment information of (SEGMENT INFORMATION) on pages 32, 33 and 34 for changes in classification of business segment in the business segment information. The actual results for fiscal year 2007 are shown in reclassified business segment.



#### 4. Profit Breakdown for the Current Fiscal Year (Comparison with last fiscal year)

(¥ billions)

| Segment               | Company Name                    | Major factors   | Difference | Description   |
|-----------------------|---------------------------------|---|------------|---|
| Alcohol beverages     | Kirin Brewery                   | Increase in marginal profit of alcohol beverages            | 7.7        | Sales decrease in beer (133) thousand KL, (15.3)<br>Sales decrease in <i>happo-shu</i> (12) thousand KL, (1.2)<br>Sales increase in new genre 62 thousand KL, 6.8<br>Sales increase in RTD 3 thousand KL, 0.5<br>Decrease in marginal profit of <i>shochu</i> , whiskey, spirits and wines (0.5)<br>Increase due to revision of prices and difference of change in products mix, etc. |
|                       |                                 | Cost reduction  | 1.8        | Energy reduction 0.6, etc.  |
|                       |                                 | Increase in raw material cost of alcohol beverages          | (9.9)      | Increase in price for packing materials (3.0)<br>Increase in price of sugar and liquid sugar (2.9)<br>Increase in price of malt (2.5), etc.   |
|                       |                                 | Decrease in selling cost                                    | 9.4        | Decrease in sales promotion and advertising expenses 8.3; beer, <i>happo-shu</i> and new genre 7.5, RTD 0.2, <i>shochu</i> , whiskey, spirits and wines 0.5, etc.<br>Decrease in transportation cost 1.0, etc.  |
|                       |                                 | Increase in other expenses                                  | (5.3)      | Increase in depreciation (3.2)<br>Increase in electric cost and fuel cost (1.9)<br>Increase in repair expenses (0.2), etc.  |
|                       | Total                           |   | 3.7        |   |
|                       | Lion Nathan *1                  | Increase in operating income                                | 3.4        | 45.1 => 48.5  |
|                       |                                 | Amortization of goodwill                                    | (1.2)      | (4.0) => (5.2)  |
|                       |                                 | Brand amortization  | (0.5)      | (6.9) => (7.4)  |
|                       | Total                           |   | 1.7        |   |
| Total                 | Mercian                         |   | 0.3        | (0.3) => (0.0)  |
|                       | Effect of organizational change |   | 6.4        | *2  |
|                       | Others                          |   | 1.3        |   |
|                       | Total                           |   | 13.4       | FY2007 Actual 96.5 => FY2008 Actual 109.9   |
| Soft drinks and Foods | Kirin Beverage                  | Difference in volume of sales                               | 1.8        | Increase in sales volume 1.69 million cases   |
|                       |                                 | Cost reduction  | 1.0        | Improvement of production efficiency at its own factories, etc.   |
|                       |                                 | Increase in raw material cost                               | (3.2)      |   |
|                       |                                 | Decrease in change of composition ratio of containers, etc. | (0.1)      |   |
|                       |                                 | Increase in selling cost                                    | (4.7)      | Increase in sales promotion and advertising expenses (4.2) (Including influence of new consolidation (1.3), etc.)<br>Increase in transportation cost (0.5), etc..   |
|                       |                                 | Increase in other expenses                                  | (3.7)      | Increase in depreciation cost and sales equipment cost due to increase in vending machine input (0.6)<br>Increase in information processing fee (0.8)<br>Increase in R&D expenses (0.2)<br>Influence of new consolidation (1.9), etc.   |
|                       | Total                           |   | (8.9)      |   |
|                       | National Foods                  | Increase in operating income                                | 8.1        | 0.0 => 8.1  |
|                       |                                 | Amortization of goodwill                                    | (6.8)      | 0.0 => (6.8) *3   |
|                       |                                 | Brand amortization  | (2.7)      | 0.0 => (2.7) *3   |
|                       | Total                           |   | (1.4)      |   |
|                       | Kyowa Hakko Kirin Foods         |   | 0.9        | 0.0 => 0.9  |
|                       | Others                          |   | (0.2)      |   |
|                       | Total                           |   | (9.6)      | FY2007 Actual 16.0 => FY2008 Actual 6.4 *4  |

(¥ billions)

| Segment                             | Major factors   | Difference | Description  |
|-------------------------------------|---|------------|--|
| Pharmaceuticals                     | Kyowa Hakko Kirin *5  | 14.8       | Increase in gross profit 73.5<br>Increase in R&D expenses (20.2)<br>Increase in other expenses (34.0)<br>Amortization of goodwill (4.5)  |
|                                     | Effect of organizational change   | 0.4        | *2   |
| Total                               |   | 15.2       | FY2007 Actual 13.0 => FY2008 Actual 28.2   |
| Others                              | Kyowa Hakko Kirin Biochemical   | 7.4        | 0.0 => 7.4   |
|                                     | Kyowa Hakko Kirin Chemicals   | 3.5        | 0.0 => 3.5   |
|                                     | Others  | 1.0        |  |
| Total                               |   | 11.9       | FY2007 Actual 6.3 => FY2008 Actual 18.2 *4   |
| Eliminations or Corporate           | Increase of unallocable operating expenses due to the organizational change | (7.0)      | *2   |
|                                     | Others  | 1.4        |  |
| Total                               |   | (5.6)      | FY2007 Actual (11.3) => FY2008 Actual (16.9)   |
| Increase in operating income        |   | 25.3       | FY2007 Actual 120.6 => FY2008 Actual 145.9   |
| Non-operating income and expenses   | Financial profit (loss), net  | (11.1)     | (5.3) => (16.4)  |
|                                     | Equity in earnings of affiliates  | 1.5        | San Miguel 1.1 (Including elimination of unrealized gain on sale of investment securities (4.3)) , Kyowa Hakko Kogyo(1.2) (Including amortization of consolidation difference (1.0)), etc. |
|                                     | Foreign currency transaction loss   | (36.5)     | (0.7) => (37.2)  |
|                                     | Others  | 0.5        |  |
| Total                               |   | (45.6)     |  |
| Decrease in ordinary income         |   | (20.3)     | FY2007 Actual 123.3 => FY2008 Actual 103.0   |
| Special income and expenses         | Gain on sale of fixed assets  | (8.7)      |  |
|                                     | Gain on change in equity  | 72.6       | Share exchange with Kyowa Hakko Kogyo  |
|                                     | Compensation for expropriation  | 9.5        |  |
|                                     | Loss on devaluation of investment securities                                | (5.6)      |  |
|                                     | Loss on liquidation of business   | (2.7)      |  |
|                                     | Expenses for integration  | (4.6)      | Integration of Kyowa Hakko Kogyo and Kirin Pharma, etc.  |
|                                     | Others  | (2.9)      | Amortization of goodwill (1.5), etc.   |
| Total                               |   | 57.6       |  |
| Income taxes and minority interests | Income taxes  | (16.1)     |  |
|                                     | Income taxes for prior years  | (2.0)      | Lion Nathan  |
|                                     | Minority interests  | (5.8)      |  |
| Total                               |   | (23.9)     |  |
| Increase in net income              |   | 13.4       | FY2007 Actual 66.7 => FY2008 Actual 80.1   |

\*1 As for Lion Nathan's actual result, the Company reclassified certain amount of operating income and expenses into special income and expenses in the consolidated statements of income. The above figures are presented after reclassification.

\*2 Please refer to (SEGMENT INFORMATION) on pages 32 for allocation method of operating expenses in the business segment information.

\*3 Based on established price due to completion of allocation of acquisition cost.

\*4 Please refer to (SEGMENT INFORMATION) on pages 33 and 34 for changes in classification of business segment in the business segment information. Following this changes, actual results of the fiscal year 2007 have been reclassified in line with the changed classification. As a result, operating income of the fiscal year 2007 decreased ¥2.0 billion in the "Soft drinks and Foods" segment and increased ¥2.0 billion in the "Others" segment.

\*5 The figures shown are those of Pharmaceuticals segment of Kirin Brewery for the first half of 2007. On October 1, 2008, Kyowa Hakko Kogyo and Kirin Pharma merged to form a new company, Kyowa Hakko Kirin Co., Ltd.

| Exchange rate for overseas company | 2007<br>Actual | 2008<br>Actual |
|------------------------------------|----------------|----------------|
| Lion Nathan (AUD)                  | ¥96.72         | ¥97.38         |
| National Foods (AUD)               | ¥99.01         | ¥88.00         |
| San Miguel (PHP)                   | ¥2.51          | ¥2.50          |

## 5. Major Expenses and Others

(¥ billions)

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

\*1 The amounts of Soft drinks and Foods are consolidated Kirin Beverage.

\*2 This amount includes brand amortization.

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

## 6. Major Fluctuations of Balance Sheets

(¥ billions)

|   | 2007<br>Actual | 2008<br>Actual | Increase<br>(Decrease) | Reference  |
|---|----------------|----------------|------------------------|--|
| <b>ASSETS</b>   |                |                |                        |  |
| Current Assets  |                |                |                        |  |
| Notes and accounts receivable, trade                                | 361.1          | 446.6          | 85.5                   | Increase due to addition of newly consolidated subsidiaries *1, etc.   |
| Other<br>(excluding notes and accounts receivable, trade)           | 273.5          | 379.5          | 106.0                  | Increase due to addition of newly consolidated subsidiaries *1, etc.   |
| Fixed Assets  |                |                |                        |  |
| Property, Plant and Equipment                                       |                |                |                        |  |
| Total Property, plant and equipment                                 | 635.9          | 791.3          | 155.4                  | Increase due to addition of newly consolidated subsidiaries *1, etc.   |
| Intangible Assets   |                |                |                        |  |
| Goodwill  | 258.7          | 343.9          | 85.2                   | Increase due to addition of newly consolidated subsidiaries *1, etc.   |
| Other   | 128.1          | 105.4          | (22.7)                 | Decrease due to influence of exchange rate fluctuations at consolidated subsidiaries in Australia, etc.  |
| Investments and Other Assets  |                |                |                        |  |
| Investment securities   | 712.2          | 425.3          | (286.9)                | Decrease in shares of affiliated companies held by Kirin Holdings and decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc. |
| Other   | 57.8           | 87.1           | 29.3                   | Increase in currency swap of Kirin Holdings *2, etc.   |
| <b>LIABILITIES</b>  |                |                |                        |  |
| Current Liabilities   |                |                |                        |  |
| Notes and accounts payable, trade                                   | 139.2          | 189.5          | 50.3                   | Increase due to addition of newly consolidated subsidiaries *1, etc.   |
| Short-term loans payable and long-term debt with current maturities | 404.7          | 119.1          | (285.6)                | Decrease at Kirin Holdings, etc.   |
| Bonds due to within one year  | -              | 44.1           | 44.1                   | Increase at Kirin Holdings, etc.   |

(¥ billions)

|  | 2007<br>Actual | 2008<br>Actual | Increase<br>(Decrease) | Reference   |
|--|----------------|----------------|------------------------|---|
| Long-term Liabilities                      |                |                |                        |   |
| Bonds                                      | 92.8           | 242.8          | 150.0                  | Increase due to issue of bonds at Kirin Holdings, etc.  |
| Long-term debt                             | 112.2          | 257.7          | 145.5                  | Increase at Kirin Holdings, etc.  |
| Deferred tax liabilities                   | 88.3           | 55.7           | (32.6)                 | Increase due to addition of newly consolidated subsidiaries *1 and decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc. |
| Employees' pension and retirement benefits | 60.1           | 82.7           | 22.6                   | Increase due to addition of newly consolidated subsidiaries *1, etc.  |
| <b>NET ASSETS</b>                          |                |                |                        |   |
| Net unrealized holding gains on securities | 124.7          | 37.4           | (87.3)                 | Decrease in net unrealized holding gains on securities held by Kirin Holdings along with the fluctuations in stock price, etc.  |
| Foreign currency translation adjustments   | 7.6            | (88.7)         | (96.3)                 | Decrease due to yen appreciation, etc.  |
| Minority interests                         | 44.7           | 222.0          | 177.3                  | Increase due to addition of newly consolidated subsidiaries *1, etc.  |

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

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

## 7. Profit Breakdown for the Next Fiscal Year (Forecast)

(¥ billions)

| Segment               | Company Name     | Major factors   | Difference        | Description  |
|-----------------------|------------------|---|-------------------|--|
| Alcohol beverages     | Kirin Brewery    | Increase in marginal profit of alcohol beverages            | 2.1               | Sales decrease in beer (65) thousand KL, (7.7)<br>Sales decrease in <i>happo-shu</i> (21) thousand KL, (2.1)<br>Sales increase in new genre 74 thousand KL, 8.1<br>Sales increase in RTD 19 thousand KL, 1.9<br>Sales increase in beer-taste beverages 0.8,<br>Increase in marginal profit of <i>shochu</i> , whiskey and spirits 0.2<br>Increase due to revision of prices and difference of change in products mix, etc. |
|                       |                  | Cost reduction  | 0.2               | Energy reduction 0.2, etc  |
|                       |                  | Increase in raw material cost of alcohol beverages          | (2.5)             | Increase in cost of malt<br>Increase in price for packing materials, etc.  |
|                       |                  | Decrease in selling cost                                    | 6.2               | Decrease in sales promotion and advertising expenses 4.9<br>Decrease in transportation cost 1.2, etc.  |
|                       |                  | Increase in other expenses                                  | (11.7)            | Increase in depreciation (6.8)<br>Increase in information processing fee (0.7)<br>Increase in electric cost and fuel cost (0.7), etc.  |
|                       | Total            |   | (5.7)             |  |
|                       | Lion Nathan *1   |   | (14.2)            | Translation difference, etc.   |
| Others                |                  | 0.0   | Mercian 1.2, etc. |  |
| Total                 |                  |   | (19.9)            | FY2008 Actual 109.9 => FY2009 Forecast 90.0  |
| Soft drinks and Foods | Kirin Beverage   | Difference in volume of sales                               | 6.4               | Increase in sales volume 5.85 million cases  |
|                       |                  | Cost reduction  | 2.2               | Improvement of production efficiency at its own factories, etc.  |
|                       |                  | Increase in raw material cost                               | (3.0)             |  |
|                       |                  | Increase in change of composition ratio of containers, etc. | 1.9               |  |
|                       |                  | Increase in selling cost                                    | (0.3)             | Increase in sales promotion and advertising expenses (0.5) (Including influence of new consolidation (0.9), etc.)<br>Decrease in transportation cost 0.2, etc.   |
|                       |                  | Increase in other expenses                                  | (4.1)             | Increase in labor cost (1.2)<br>Increase in R&D expenses (0.6)<br>Increase in depreciation cost and sales equipment cost due to increase in vending machine input (0.5)<br>Increase in information processing fee (0.2)<br>Influence of new consolidation (0.9), etc.  |
|                       | Total            |   | 3.1               |  |
|                       | National Foods*2 | Decrease in operating income                                | (1.7)             | 8.1 => 6.4   |
|                       |                  | Amortization of goodwill                                    | 0.4               | (6.8) => (6.4)   |
|                       |                  | Brand amortization  | 0.7               | (2.7) => (2.0)   |
| Total                 |                  | (0.6)   |                   |  |
| Others                |                  | 3.1   |                   |  |
| Total                 |                  |   | 5.6               | FY2008 Actual 6.4 => FY2009 Forecast 12.0  |

(¥ billions)

| Segment                             | Major factors  | Difference | Description  |
|-------------------------------------|--|------------|--|
| Pharmaceuticals                     | Kyowa Hakko Kirin  | (0.2)      | Increase in gross profit 16.3<br>Increase in R&D expenses (6.0)<br>Increase in other expenses (9.1)<br>Amortization of goodwill (1.4)  |
| Total                               |  | (0.2)      | FY2008 Actual 28.2 => FY2009 Forecast 28.0   |
| Others                              | Kyowa Hakko Kirin Biochemical                                | (3.2)      | 7.4 => 4.2   |
|                                     | Kyowa Hakko Kirin Chemicals                                  | (2.2)      | 3.5 => 1.3   |
|                                     | Others   | 0.2        |  |
| Total                               |  | (5.2)      | FY2008 Actual 18.2 => FY2009 Forecast 13.0   |
| Eliminations or Corporate           |  | (5.1)      | FY2008 Actual (16.9) => FY2009 Forecast (22.0)   |
| Decrease in operating income        |  | (24.9)     | FY2008 Actual 145.9 => FY2009 Forecast 121.0   |
| Non-operating income and expenses   | Financial profit (loss), net                                 | 5.4        | (16.4) => (11.0)   |
|                                     | Equity in earnings of affiliates                             | 2.3        | San Miguel 2.0 *3 (Including elimination of unrealized gain on sale of investment securities for prior years 4.3)<br>Kyowa Hakko Kogyo 1.2 (Including amortization of consolidation difference for prior years 1.0)<br>Kirin-Amgen (1.5), etc. |
|                                     | Foreign currency transaction loss for prior years            | 37.2       |  |
|                                     | Others   | 2.0        |  |
| Total                               |  | 46.9       |  |
| Increase in ordinary income         |  | 22.0       | FY2008 Actual 103.0 => FY2009 Forecast 125.0   |
| Special income and expenses         | Gain on change in equity for prior years                     | (72.6)     | Share exchange with Kyowa Hakko Kogyo  |
|                                     | Compensation for expropriation for prior years               | (9.5)      |  |
|                                     | Loss on devaluation of investment securities for prior years | 5.6        |  |
|                                     | Loss on liquidation of business for prior years              | 2.7        |  |
|                                     | Others   | 25.2       |  |
| Total                               |  | (48.6)     |  |
| Income taxes and minority interests | Income taxes   | 3.7        |  |
|                                     | Minority interests   | (0.2)      | (17.1) => (17.3)   |
| Total                               |  | 3.5        |  |
| Decrease in net income              |  | (23.1)     | FY2008 Actual 80.1 => FY2009 Forecast 57.0   |

\*1 As for Lion Nathan's actual result of fiscal year 2008, the Company reclassified certain amount of operating income and expenses into special income and expenses and others in the consolidated statements of income. The above figures are presented after reclassification. Since Lion Nathan has not disclosed its forecast of business performance, the Company uses operating results in foreign currency for the year ended 2008 as the forecast for the year ending December 31, 2009.

\*2 These figures include Dairy Farmers. Market value and others adopted to calculation of brand amortization and amortization of goodwill of Dairy Farmers are tentative.

\*3 Since San Miguel has not disclosed its forecast of business performance, the Company uses operating results in foreign currency for the year ended 2008 (12 months from October 2007 to September 2008) as the forecast for the year ending December 31, 2009.

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



# (Reference Material)

## 1. Guide to Kirin Group Consolidated Financial Indices

(¥ billions)

|                      |                        |                      | 2007<br>Actual | 2008<br>Actual | 2009<br>Forecast |
|----------------------|------------------------|----------------------|----------------|----------------|------------------|
| Quantitative targets | Consolidated sales     | Including liquor tax | 1,801.1        | 2,303.5        | 2,300.0          |
|                      |                        | Excluding liquor tax | 1,400.6        | 1,922.8        | 1,930.0          |
|                      | Operating income       |                      | 120.6          | 145.9          | 121.0            |
|                      | Operating income ratio | Including liquor tax | 6.7%           | 6.3%           | 5.3%             |
|                      |                        | Excluding liquor tax | 8.6%           | 7.6%           | 6.3%             |
|                      | ROE                    |                      | 6.5%           | 8.1%           | 6.0%             |

|           |                               |   |         |          |         |
|-----------|-------------------------------|---|---------|----------|---------|
| Guideline | Sales by segment              | Alcohol beverages                         | 1,189.4 | 1,181.5  | 1,095.0 |
|           |                               | Soft drinks and Foods                     | 474.5   | 716.6    | 740.0   |
|           |                               | Pharmaceuticals                           | 69.9    | 171.5    | 200.0   |
|           |                               | Others                                    | 67.2    | 233.8    | 265.0   |
|           | Operating income by segment   | Alcohol beverages                         | 96.5    | 109.9    | 90.0    |
|           |                               | Soft drinks and Foods                     | 16.0    | 6.4      | 12.0    |
|           |                               | Pharmaceuticals                           | 13.0    | 28.2     | 28.0    |
|           |                               | Others                                    | 6.3     | 18.2     | 13.0    |
|           |                               | Eliminations or Corporate                 | (11.3)  | (16.9)   | (22.0)  |
|           | Overseas ratio                | Sales excluding liquor tax                | 19%     | 27%      | 24%     |
|           | EBITDA *1                     |   | 213.1   | *2 264.6 | 269.1   |
|           | Amortization of goodwill etc. | 1. Future portion (before 2006)           | 13.9    | *3 13.6  | 10.0    |
|           |                               | 2. Investment after 2007                  | -       | *4 17.4  | 16.3    |
|           |                               | Total amortization of goodwill (1.+2.)    | 13.9    | 31.0     | 26.4    |
|           | EPS ( ¥ )                     | Prior to 2. amortization of goodwill etc. | 70      | *2 25    | 76      |
|           |                               | After amortization of goodwill etc.       | 70      | 84       | 60      |
|           | D/E ratio                     |   | 0.58    | 0.72     | 0.69    |

\*1 2007 Actual EBITDA = ¥213.1 billion:

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

2008 Actual EBITDA = 264.6 billion:

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

2009 Forecast EBITDA = ¥269.1 billion:

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

\*2 The figures are calculated, excluding gain on change in equity (¥72.6 billion) arising from the share exchange with Kyowa Hakko Kogyo.

\*3 Amortization of goodwill etc. Future portion (before 2006) ¥13.6 billion:

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

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

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

National Foods ¥9.6 billion (brand amortization ¥2.7 billion, amortization of consolidation difference ¥6.8 billion)

Kyowa Hakko Kirin ¥6.0 billion (amortization of consolidation difference)

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

## 2. Information by Segment

### <FY2008>

(¥ billions)

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

\*1 This amount Includes brand amortization.

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

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

### <FY2009>

(¥ billions)

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

\*1 This amount Includes brand amortization.

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

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

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

<FY2008 Actual>

(¥ billions)

|  | Sales | Operating income | Ordinary income | Net income | Consolidated Net income |
|--|-------|------------------|-----------------|------------|-------------------------|
| Kirin Brewery (consolidated subsidiary) *1               | 868.6 | 58.5             | -               | -          | -                       |
| Mercian (consolidated subsidiary)                        | 92.7  | 0.6              | 0.5             | 0.1        | 0.0                     |
| Lion Nathan (consolidated subsidiary) *2                 | 203.9 | 48.5             | 38.8            | 26.5       | 12.2                    |
| Brand amortization                                       |       | (7.4)            | (7.4)           | (7.4)      | (3.4)                   |
| Amortization of goodwill *3                              |       | (5.2)            | (5.2)           | (5.2)      | (3.8)                   |
| After adjustments of the above                           | 203.9 | 35.8             | 26.1            | 13.8       | 4.9                     |
| Kirin Beverage (consolidated subsidiary)                 | 403.8 | 5.2              | -               | -          | -                       |
| Amortization of goodwill                                 |       | (1.9)            | -               | -          | -                       |
| After adjustments of the above                           | 403.8 | 3.3              | -               | -          | -                       |
| National Foods (consolidated subsidiary)                 | 212.4 | 8.1              | -               | -          | -                       |
| Brand amortization *4                                    |       | (2.7)            | -               | -          | -                       |
| Amortization of goodwill *3 *4                           |       | (6.8)            | -               | -          | -                       |
| After adjustments of the above                           | 212.4 | (1.4)            | -               | -          | -                       |
| Kyowa Hakko Kirin (consolidated subsidiary) *5           | 362.2 | 42.6             | 43.2            | 10.4       | 5.2                     |
| Elimination of amortization of goodwill at Kyowa Hakko*6 |       | 7.1              | 7.1             | 7.1        | 3.6                     |
| Amortization of goodwill                                 |       | (4.9)            | (4.9)           | (4.9)      | (4.9)                   |
| After adjustments of the above                           | 362.2 | 44.8             | 45.4            | 12.6       | 3.8                     |
| Kirin Pharma (consolidated subsidiary) *1 *5             | 9.1   | (3.4)            | -               | -          | -                       |
| Kyowa Hakko Kogyo (affiliated company) *5                | 94.4  | 6.9              | 5.2             | (0.6)      | * (0.1)                 |
| Equity in earnings of affiliates *                       |       |                  | * (0.1)         | (0.1)      | (0.1)                   |
| Amortization of consolidation difference *7              |       |                  | (1.0)           | (1.0)      | (1.0)                   |
| After adjustments of the above                           |       |                  | (1.2)           | (1.2)      | (1.2)                   |
| San Miguel (affiliated company)                          | 417.1 | 35.6             | 61.5            | 56.0       | * 11.1                  |
| Equity in earnings of affiliates *                       |       |                  | * 11.1          | 11.1       | 11.1                    |
| Amortization of consolidation difference *7              |       |                  | (2.1)           | (2.1)      | (2.1)                   |
| After adjustments of the above                           |       |                  | 9.0             | 9.0        | 9.0                     |

\*1 The amounts are non-consolidated.

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

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

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

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

|   |  |
|---|--|
| Kyowa Hakko Kirin (consolidated subsidiary) | April to September<br>(Kyowa Hakko Kogyo consolidated, including Kirin Pharma)<br>October to December (Kyowa Hakko Kirin consolidated) |
| Kirin Pharma (consolidated subsidiary)      | January to March   |
| Kyowa Hakko Kogyo (affiliated company)      | January to March   |

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

\*7 Account title: Equity in earnings of affiliates

<FY2009 Forecast>

(¥ billions)

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

\*1 The amounts are non-consolidated.

\*2 As for 2009 forecast of operation of Lion Nathan, the Company reclassified certain amount of operating income and expenses into special income and expenses in the consolidated statements of income. The above figures are presented after reclassification. Since Lion Nathan has not disclosed its forecast of business performance, the Company uses operating results in foreign currency for the year ended 2008 as the forecast for the year ending December 31, 2009.

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

\*4 These figures include Dairy Farmers. Market value and others adopted to calculation of brand amortization and amortization of goodwill of Dairy Farmers are tentative.

\*5 Amortization of goodwill arose from the share exchange undertaken between Kyowa Hakko Kogyo and Kirin Pharma, which is booked at Kyowa Hakko Kirin (consolidated), has been eliminated at the consolidation process of the Company.

\*6 The Company uses operating results of San Miguel in foreign currency from October 2007 to September 2008 as the forecast for the year ending December 31 2009.

\*7 Account title: Equity in earnings of affiliates

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

|  | 2007<br>Actual |                        | 2008<br>Actual |                        | 2009<br>Forecast |                        |
|--|----------------|------------------------|----------------|------------------------|------------------|------------------------|
| Sales volume<br>(year-on-year rate)              | Thousand KL    | Increase<br>(Decrease) | Thousand KL    | Increase<br>(Decrease) | Thousand KL      | Increase<br>(Decrease) |
| Beer   | 1,001          | (1.8%)                 | 867            | (13.4%)                | 802              | (7.6%)                 |
| <i>Happo-shu</i>                                 | 824            | (4.9%)                 | 811            | (1.6%)                 | 790              | (2.6%)                 |
| New genre  | 543            | 10.4%                  | 606            | 11.5%                  | 680              | 12.2%                  |
| Subtotal   | 2,369          | (0.4%)                 | 2,285          | (3.5%)                 | 2,272            | (0.6%)                 |
| RTD  | 200            | (12.5%)                | 203            | 1.6%                   | 222              | 9.0%                   |
| Breakdown of sales<br>(year-on-year rate)        | ¥ billions     |                        | ¥ billions     |                        | ¥ billions       |                        |
| Beer   | 402.5          | (1.5%)                 | 356.7          | (11.4%)                | 330.0            | (7.4%)                 |
| <i>Happo-shu</i>                                 | 243.1          | (4.8%)                 | 246.6          | 1.4%                   | 240.0            | (2.6%)                 |
| New genre  | 139.6          | 12.3%                  | 158.7          | 13.7%                  | 179.0            | 12.4%                  |
| Subtotal   | 785.4          | (0.4%)                 | 762.0          | (3.0%)                 | 749.0            | (1.7%)                 |
| RTD  | 53.2           | (11.9%)                | 54.4           | 2.2%                   | 59.0             | 9.3%                   |
| <i>Shochu</i> , Whiskey, Spirits and Wines, etc. | 42.4           | 17.7%                  | 43.6           | 2.8%                   | 42.0             | (4.0%)                 |

The above sales volume and sales include exports.

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

### <Category >

(10,000 cases)

| Soft drink beverages |   |              | 2007 Actual  |                   | 2008 Actual  |                   |                     |                                   | 2009 Forecast |                   |                     |                                   |
|----------------------|---|--------------|--------------|-------------------|--------------|-------------------|---------------------|-----------------------------------|---------------|-------------------|---------------------|-----------------------------------|
|                      |   |              | Sales Volume | Composition ratio | Sales Volume | Composition ratio | Increase (Decrease) | Percentage over the previous year | Sales Volume  | Composition ratio | Increase (Decrease) | Percentage over the previous year |
| Category             | Tea drinks                                | Japanese Tea | 3,036        | 15%               | 2,911        | 14%               | (125)               | 96%                               | 2,950         | 14%               | 39                  | 101%                              |
|                      |   | Oolong Tea   | 385          | 2%                | 329          | 2%                | (56)                | 85%                               | 300           | 1%                | (29)                | 91%                               |
|                      |   | Black tea    | 3,789        | 19%               | 3,763        | 18%               | (26)                | 99%                               | 3,750         | 18%               | (13)                | 100%                              |
|                      |   | Sub-total    | 7,210        | 36%               | 7,003        | 34%               | (207)               | 97%                               | 7,000         | 33%               | (3)                 | 100%                              |
|                      | Coffee                                    |              | 3,481        | 17%               | 3,518        | 17%               | 37                  | 101%                              | 3,750         | 18%               | 232                 | 107%                              |
|                      | Fruit and vegetable juice                 |              | 2,810        | 14%               | 2,484        | 12%               | (326)               | 88%                               | 2,300         | 11%               | (184)               | 93%                               |
|                      | Carbonated beverage                       |              | 655          | 3%                | 926          | 5%                | 271                 | 141%                              | 1,000         | 5%                | 74                  | 108%                              |
|                      | Water                                     |              | 3,816        | 19%               | 3,943        | 20%               | 127                 | 103%                              | 4,150         | 20%               | 207                 | 105%                              |
|                      | Other                                     |              | 1,560        | 8%                | 1,731        | 8%                | 171                 | 111%                              | 1,630         | 8%                | (101)               | 94%                               |
|                      | Domestic soft drink beverage market total |              | 19,532       | 97%               | 19,605       | 96%               | 73                  | 100%                              | 19,830        | 95%               | 225                 | 101%                              |
| Overseas markets     | Overseas soft drink beverage market total |              | 714          | 3%                | 810          | 4%                | 96                  | 113%                              | 1,170         | 5%                | 360                 | 144%                              |
| Total                | Soft drink beverages total                |              | 20,246       | 100%              | 20,415       | 100%              | 169                 | 101%                              | 21,000        | 100%              | 585                 | 103%                              |

### <Container Type >

(10,000 cases)

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

## 6. Sales Details of Pharmaceuticals (Kyowa Hakko Kirin Co., Ltd.)

(¥ billions)

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

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

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

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