

KIRIN BREWERY COMPANY, LIMITED

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2001 (UNAUDITED)

February 20, 2002

(English Translation)

Fiscal year ended December 31, 2001

KIRIN BREWERY COMPANY, LIMITED

10-1, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan

Code No.: 2503
 Shares Listed: Tokyo, Osaka, Nagoya, Fukuoka, Sapporo,
 London, Paris, Zurich, Frankfurt
 For further information, please contact: Mr. Sumio Nagata, General Manager,
 Communications Dept.
 Telephone: 81- 3- 5540- 3450 from overseas

Date of the Board of Directors' Meeting for the annual operation results: February 20, 2002

Whether US GAAP is applied: none

1. Business results and financial positions for the current fiscal year

(January 1, 2001 - December 31, 2001)

[Unit: Japanese yen (¥)]

(1) Results of operations: (Fractions less than ¥1 million have been omitted.)

	Sales (¥ millions)	Percentage change (%)	Operating income (¥ millions)	Percentage change (%)	Income before special items (¥ millions)	Percentage change (%)
Year ended December 31, 2001	1,561,879	(1.2)	75,065	(20.5)	69,339	(25.5)
Year ended December 31, 2000	1,580,825	8.9	94,397	22.2	93,080	16.6

	Net income (¥ millions)	Percentage change (%)	Net income per share primary (¥)	Net income per share diluted (¥)	Ratio of net income to shareholders' equity (%)	Ratio of ordinary income to total assets (%)	Ratio of ordinary income to sales (%)
Year ended December 31, 2001	23,122	(29.8)	23.49	23.48	3.0	4.2	4.4
Year ended December 31, 2000	32,924	(1.0)	33.18	33.06	4.4	6.1	5.9

Notes : Equity in earnings of affiliates:

December 31, 2001 ¥ 1,864 million
 December 31, 2000 ¥ 614 million

Average number of shares of common stock outstanding during the year (Consolidated) :

December 31, 2001 984,485 thousands of shares
 December 31, 2000 992,347 thousands of shares

Change in accounting policies: None

Percentage change is the ratio of increase or decrease in each item of business results for the year ended December 31, 2001, in comparison to these for the prior year.

(2) Financial positions:

	Total assets (¥ millions)	Shareholders' equity (¥ millions)	Ratio of shareholders' equity to total assets (%)	Shareholders' equity per share (¥)
December 31, 2001	1,661,652	782,902	47.1	795.29
December 31, 2000	1,627,400	768,486	47.2	780.58

Notes :Number of shares of common stock issued and outstanding (Consolidated) :

December 31, 2001	984,417 thousands of shares
December 31, 2000	984,504 thousands of shares

(3) Cash flows :

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Year ended December 31, 2001	71,144	(12,108)	20,865	144,331
Year ended December 31, 2000	93,714	(69,090)	(43,693)	64,335

(4)Scope of consolidation and application of equity method :

Consolidated subsidiaries:	261 companies
Subsidiaries under equity method:	1 company
Affiliates under equity method:	15 companies

(5)Changes in scope of consolidation and application of equity method :

Consolidation:	Increase 51 companies,	Decrease 31 companies
Equity method:	Increase 1 company,	Decrease 4 companies

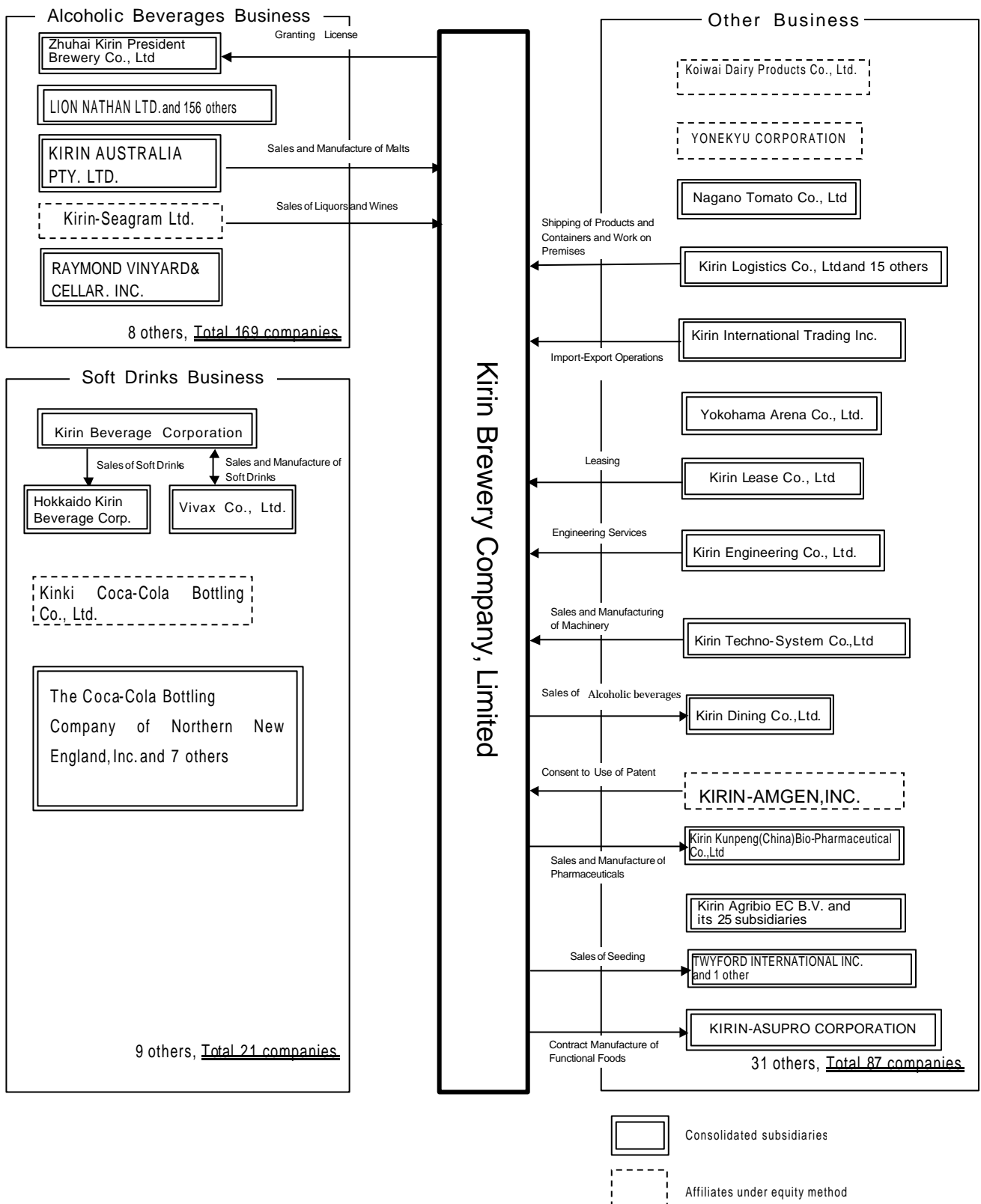
2. Forecast of business results for the nextfiscal year (January 1, 2002-December 31, 2002)

	Sales (¥ million)	Income before special items (¥ million)	Net income (¥ million)
6 months ending June 30,2002	740,000	21,500	5,500
Year ending December 31, 2002	1,600,000	77,000	29,000

Note: Forecasted net income per share ¥ 29.46

Corporate Group

The Kirin Group consists of Kirin Brewery Co., Ltd. (“the Company”), its 261 consolidated subsidiaries, 1 non-consolidated subsidiary under equity method and 15 affiliates under equity method. The major group companies in the respective business segments are as follows:



Note : Among consolidated subsidiaries, Kirin Beverage Corporation is listed on the First Section of the Tokyo Stock Exchange

Management Policies

1. Basic Kirin Group Management Policies

Based on its philosophy of contributing to the health, happiness and comfort of people around the world, the Kirin Group has established the following five management policies:

(1) Priority on Customers and Quality

Develop original technology to provide products and services of value to customers.

(2) Open and Fair Behavior

Gain the trust of the public by conducting open and fair business activities.

(3) Respect for People

Foster an environment in which employees can work with enthusiasm and exercise their independence and creativity.

(4) Sound Management

Fulfill our responsibilities toward customers, shareholders, society and employees by enhancing our business platform from a long-term, global perspective.

(5) Contribution to Society

Show consideration for the Earth's environment and contribute to the betterment of society.

Based on the above policies, the Kirin Group aims to be a corporate group that creates value to enrich the lives of customers.

2. Fundamental Company Policy on Distribution of Profits

At Kirin, providing appropriate returns on income to shareholders is a top management priority, and the Company has continued to provide dividends every year without fail since its establishment in 1907. In the future as well, while giving due consideration to matters such as strengthening the quality of management and business development, Kirin believes that providing stable dividends is the way to meet shareholder s' demands. Retained earnings will be earmarked for investment in businesses for the future.

3. Medium- to Long-term Management Strategy

The KG 21 Action Plan, a medium-term business plan covering the years 2001 to 2003, was announced in September 2000. This plan will serve as the basis for structural reform of the entire Kirin Group, with the aim of creating a solid management foundation. In addition, the domestic alcoholic beverage business, centered around beer and *happo-shu*, will be restructured, Kirin Group companies will work together to continually create the value that customers want, and steps will be taken to strengthen product and marketing capabilities while increasing quality and productivity.

A key management objective is improving EVA* (a performance indicator) in order to strengthen the profit structure. By investing in growth fields and strategically allocating resources to maximize efficiency and efficacy, the Kirin Group aims to achieve its sales targets despite the turbulent market environment and build a solid corporate structure that continues to generate earnings.

*EVA (Economic Value Added) is a registered trademark of Stern Stewart & Co.

4. Issues for the Kirin Group

The KG 21 Action Plan includes the following specific strategic issues.

(1) Structural Reform of the Kirin Group and Stronger Cooperation among Group Companies Reorganization of Businesses

To promote group management, increase the corporate value of the Kirin Group and boost profitability, Kirin's previous five main business segments and 15 business fields have been restructured into Core Businesses, Core-related Businesses and Diversified Businesses.

Reform of Corporate Structure

Based on the new arrangement of businesses, starting in January 2001, the structure of the Company will be reorganized into

a holding company, business companies and internal business units called “companies.” Kirin Brewery will operate both as a business company managing the domestic beer and *happo-shu* business and as a holding company overseeing each business and strengthening group operations.

Reform of Corporate Management

In January 2001, EVA* was adopted throughout the Kirin Group as a new performance indicator to evaluate the results and progress of each business company and internal company.

*EVA (Economic Value Added) is a registered trademark of Stern Stewart & Co.

(2) Increasing Corporate Value by Strengthening Profitability, with Core Businesses as the Nucleus

Shift to a Comprehensive Alcoholic Beverage Company Centered on the Beer and *Happo-shu* Business

To bolster the foundation of the domestic beer and *happo-shu* business as the nucleus of the company, we will strengthen brand power, placing emphasis on core brands, to rebuild a strong family of brands. Kirin also aims to secure a solid position in the *chu-ji* market, which we entered in earnest in July 2001. As a comprehensive alcoholic beverage manufacturer, Kirin will strive to the greatest extent possible to provide customers with the value they demand from their alcoholic beverages.

Structural Reforms to Strengthen Group Competitiveness

In marketing divisions, Kirin will work to strengthen sales capabilities by rebuilding a customer-oriented marketing structure that can adapt to changes in the business environment. In production divisions, new product development will be accelerated and more advanced technology introduced to support Kirin’s shift to a comprehensive alcoholic beverage company. At the same time, we will promote the creation of a highly efficient production system. In distribution divisions, structural reforms will be carried out for administrative operations.

Develop Diversified Businesses Centered on the Pharmaceutical Business

In the pharmaceutical business, Kirin will further strengthen its domestic sales system. To enhance the product pipeline, we will concentrate resources in research, speed up development, and introduce new drug candidates through in-licensing. We will also take steps to strengthen the business platforms of the agribio and nutrient food & feed businesses.

(3) Coexistence with Society

With society expected to place increasing demands on the companies in the future to earn the public trust, the Kirin Group will meet its social responsibility by conducting business activities in conformity with compliance measures. Kirin will also continue reinforcing environmental management and conducting educational activities to promote responsible drinking.

Results of Operations

1. Review of Operations

The Japanese economy slipped further into recession during 2001 as corporate profits deteriorated and the employment picture worsened amid continued stagnation in consumer spending.

In the beer and *happo-shu* market, against the backdrop of a prolonged economic slump and diversification of consumer preferences, demand for *happo-shu* continued to expand strongly, while demand for beer declined, resulting in total demand that was nearly level with the prior year. In the market for spirits and wines, weakness in the beverage market due to the recession led to a considerable year-on-year decline in total demand for whisky and wine. Meanwhile, demand for low-alcohol beverages such as *chu-hi* continued to exhibit robust growth. The soft drink market was also affected by the prolonged slump in consumer spending, which limited growth to a slight increase over the previous year. In the pharmaceutical industry, sales in the domestic market were lackluster.

Under these conditions, the Kirin Group worked to realize its goal of being a corporate group that uses its businesses, centered on the alcoholic beverage business, to consistently create the value its customers demand. These efforts were based on the policies of the KG 21 Action Plan, the three-year management plan started in 2001.

Although the soft drink and pharmaceutical businesses posted sales gains over the previous year, sales of beer and *happo-shu* declined, leading to consolidated net sales of ¥1,561.8 billion, a year-on-year decrease of 1.2 percent. This decline in revenues, in addition to higher expenses and other factors, led to consolidated income before extraordinary items of ¥69.3 billion, a year-on-year decrease of 25.5 percent, and consolidated net income of ¥23.1 billion, a year-on-year decrease of 29.8 percent.

The year-end dividend of ¥6 per share, combined with the interim dividend of ¥6 per share, brought total cash dividends for the year to ¥12 per share.

Alcoholic Beverage Business

The qualities that customers want in alcoholic beverages are becoming more and more diverse. In response, Kirin has initiated concrete measures as a comprehensive alcoholic beverage company, including the integration of sales divisions with Kirin-Seagram Ltd. to expand and strengthen sales of spirits and wines, and full-scale entry into the growing *chu-hi* market.

In the beer and *happo-shu* business, Kirin has worked to update the *Kirin Lager* brand, while taking care to maintain its value as a genuine lager. In addition, *Classic Lager*, a new product aimed at broadening the appeal of lager, was initially introduced on a limited basis in selected regions. Based on its strong popularity among customers as an authentic beer, sales were expanded nationwide in September. For *Ichiban Shibori*, the popular advertising campaign featuring seasonal foods was continued, and Kirin reinforced sales of kegged beer, which continued to grow. The *Tanrei* brand was further reinforced with a refinement of *Tanrei*'s flavor as well as new packaging. As a result, *Tanrei* surpassed the results of the previous year and maintained its top share in the *happo-shu* market, where competition has grown tighter with the entry of new products from other companies. *Kirin Tokonatsu* and *Shiro Kirin*, which were newly introduced as seasonal *happo-shu* products, also gained solid support from customers.

In the overseas beer business, Lion Nathan Limited, a Kirin Group company based in Australia, continued to generate strong results. Additionally, in December, Kirin agreed to acquire an equity stake of approximately 15 percent in San Miguel Corporation, which is the largest beer company in the Philippines and has extensive business operations in Asia. These and other measures reinforced Kirin's business foundation in overseas markets, primarily in Asia and Oceania.

Kirin Chu-hi Hyoketsu Kaju, developed by combining the technological and product development strengths of the Kirin Group, won popularity among customers for its refreshing flavor that comes from real fruit juice, as well as its innovative package design. It became a hit product, with sales dramatically exceeding original projections.

In the spirits and wines business, Kirin implemented measures to expand sales of *Chivas Regal* and *Two Dogs*, with a focus on the mass-merchandise and restaurant markets. Furthermore, Kirin acquired the global business of the *Four Roses* brand from Diageo of the U.K. and Pernod Ricard of France, and established the infrastructure to carry out consistent marketing strategies.

In sales initiatives, Kirin worked to upgrade and raise the efficiency of its activities by proposing comprehensive sales promotion measures that make the most of the Kirin Group product lineup, exploiting information as a sales tool through the use of mobile terminals, and introducing satellite offices. Moreover, in a fast-changing business environment, Kirin restructured its sales organization in October to establish a structure that is closer to customers.

In the area of production, Kirin has focused on increasing productivity. In 2001, the expansion of the Tochigi Brewery was completed and renewal construction moved forward at the Toride Brewery and Okayama Brewery. In logistics, a group distribution section in charge of total planning for the logistics of Kirin Group companies was established at the head office, and began operations with the objective of raising distribution efficiency for the Kirin Group as a whole.

As a result of the above measures, sales in the alcoholic beverage business totaled ¥1,078.0 billion, a year-on-year decrease of 3.0 percent.

Soft Drink Business

Kirin Beverage Corporation, which operates Kirin's soft drink business, carried out aggressive marketing activities, which included implementing campaigns designed to boost the product lineup and topicality of key brands such as *Gogono-kocha*, *Fire* and *Namacha*. Specifically, *Namacha* continued to post strong sales gains, while newtea product *Kikicha* also became a hit. The *Fire* brand was bolstered with measures such as the launch of a new product, *Super Fire Stone Wash*. In sales, besides organizational realignment and the start of restructuring of the branch office organization, vending machine operations in the Kinki region were transferred to Kinki Vending Services, a wholly owned subsidiary, following a similar move in the Tokyo region, to increase the efficiency of the vending machine business.

In the areas of production and quality, Kirin focused on reducing costs, while reinforcing the company-wide quality assurance system. The head office of Kirin Beverage, as well as the Shonan and Maizuru factories, received ISO 9001:2000 certification for quality management.

As a result of the above, sales in the soft drink business totaled ¥332.9 billion, a year-on-year increase of 4.7 percent.

Other Businesses

In the pharmaceutical business, Kirin aggressively implemented its own marketing in Japan of *ESPO*, a genetically engineered hormone that regulates red blood cell production, and *GRAN*, an agent that stimulates white blood cell production. Additionally, in June 2001, Kirin began marketing *Rocaltrol*, a treatment for secondary hyperparathyroidism, exclusively in Japan. Kirin also submitted an application for manufacturing approval for PB-94, a hyperphosphatemia treatment developed jointly with Chugai Pharmaceutical Co., Ltd. In overseas markets, joint venture Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd. put its factory into full-scale operation and began filling of *ESPO* and *GRAN*. In research and development, Kirin achieved steady progress, including forming tie-ups with Genzyme Corporation and Corixa Corporation of the United States in the field of human antibody drugs and beginning full-scale development in Japan in the field of cell therapy.

In the agribio business, Kirin deployed *Kokochi Kaika* as a unified brand in the flower business to carry out active sales promotions. In November, Kirin Green and Flower Co., Ltd. was established to handle sales of plant seeds and seedlings, flower seeds and seedlings, and potted flowers. These and other measures strengthened marketing in the domestic flower business. In the potato business, in July, Kirin acquired a 71 percent stake in the French company Germicopa SA, the world's fourth-largest potato breeding and sales company, with the objective of introducing new varieties.

In the nutrient food & feed business, Kirin implemented renewals of main products in the health food category, and took steps to improve product quality in the field of aquaculture feed. In the seasonings business segment, Kirin reached a basic agreement with Takeda Chemical Industries, Ltd., on the establishment of a joint venture, Takeda Kirin Foods Corporation.

Total net sales of other businesses in 2001 were ¥150.9 billion, a year-on-year decrease of 0.0 percent.

2. Outlook for the Next Fiscal Year

As customer needs further diversify, the erosion of borders between different alcoholic beverage categories is expected to accelerate. In such a business environment, the Kirin Group, guided by the KG 21 Action Plan, will focus on bolstering collaboration among Group companies and implementing measures to increase its value by strengthening profitability as a corporate group centered on its comprehensive alcoholic beverage business. In carrying out these efforts, Kirin will return to its fundamental emphasis on customers and quality. Conducting corporate activities from the viewpoint of customers will enable the Kirin Group to win their support and confidence.

In the alcoholic beverage business, Kirin will promote further collaboration among Group companies and actively generate new product ideas to meet customer needs in the market for low-alcohol beverages, including beer, *happo-shu* and *chu-hi*. Other efforts will include strengthening main brands *Kirin Lager*, *Ichiban Shibori* and *Tanrei*, as well as bolstering sales of *Classic Lager*, primarily targeting the restaurant market. In the *happo-shu* segment, where further growth is projected, new products such as *Kirin Gokunama* and *Tanrei Green Label* will be introduced to enhance the product lineup.

In its overseas beer business, Kirin will continue to promote profit-oriented business strategies, with a regional focus on Asia and Oceania, and will work aggressively to solidify its business infrastructure by seeking out new bases of operation.

Kirin will also expand and strengthen the production network for *Kirin Chu-Hi Hyoketsu Kaju*, and will add a new flavor besides the popular lemon and grapefruit flavors to maintain the preference of customers. In the spirits and wines segment, measures will include boosting the proposal capabilities of sales divisions and expanding business by concentrating on main products.

In the soft drink business, Kirin will continue to expand its product lineup by adding new products such as *Nihon Genmaicha* and *Rakuda*, which will complement key brands *Gogono-kocha*, *Fire*, *Namacha* and *Kikicha*. Other efforts will include promoting rational, efficient business operations, primarily through expansion of production facilities and reform of the distribution system, to create an operating structure that can secure steady profits.

In other businesses, for the pharmaceutical business, Kirin will work to enhance its drug development pipeline, further increase the efficiency of pharmaceutical development and manufacturing, and strengthen sales both in Japan and overseas. In the agribio business, the Company will focus on shoring up its product lineup. In the nutrient food & feed business, a key focus will be establishing a firm business foundation, particularly in the seasonings business.

Kirin will also carry out environmental initiatives such as reducing emissions of greenhouse gases, and will continue its support for sports and culture. Through these activities, Kirin will meet its responsibility as a corporate citizen.

The Kirin Group is positioning 2002 as the year it gets back on track, with the aim of making a significant leap forward. Accordingly, top priority will be placed on bolstering Kirin's competitiveness in the domestic alcoholic beverage market. While focusing on its core businesses of alcoholic beverages, soft drinks and food, Kirin will also vigorously develop diversified businesses such as the pharmaceutical, agribio and nutrient food & feed businesses, in order to become a leading company in the fields of food and science, based in Asia and Oceania.

For the year ending December 31, 2002, Kirin projects consolidated net sales of ¥1,600.0 billion (a year-on-year increase of 2.4 percent), consolidated income before extraordinary items of ¥77.0 billion (a year-on-year increase of 11.0 percent), and consolidated net income of ¥29.0 billion (a year-on-year increase of 25.4 percent).

Cash dividends for 2002 are expected to total ¥12 per share, consisting of interim and year-end dividends of ¥6 per share each. Retained earnings will be allocated toward investment in production facilities and other business investments.

CONSOLIDATED BALANCE SHEETS

(¥ millions)

ASSETS	(Note)	At December 31, 2001		At December 31, 2000		Increase (Decrease)
		Amount	Percentage over total assets	Amount	Percentage over total assets	Amount
Current Assets						
Cash		143,525		50,579		92,946
Funds in trust		-		36,909		(36,909)
Notes and accounts receivable	(*3)	256,254		241,072		15,182
Marketable securities		12,272		136,132		(123,860)
Inventories	(*3)	65,731		62,751		2,980
Deferred income taxes		17,188		12,484		4,704
Funds in trust		17,411		-		17,411
Other		42,673		45,555		(2,882)
Allowance for doubtful accounts		(2,087)		(1,886)		(201)
Total current assets		552,969	33.3	583,600	35.9	(30,631)
Fixed Assets						
Property, Plant and Equipment	(*1)					
Buildings and structures	(*3)	187,361		193,133		(5,772)
Machinery, equipment and vehicles	(*3)	178,783		155,450		23,333
Land	(*3)	156,269		162,570		(6,301)
Construction in progress		22,636		38,772		(16,136)
Other	(*3)	52,528		55,211		(2,683)
Total		597,578	36.0	605,138	37.2	(7,560)
Intangible Fixed Assets						
Goodwill		21,199		20,080		1,119
Consolidation differences		45,700		48,558		(2,858)
Other		58,475		61,293		(2,818)
Total		125,376	7.5	129,933	8.0	(4,557)
Investments and Other Assets						
Investments in securities	(*2,3)	263,060		141,911		121,149
Long term loans		5,150		4,905		245
Life insurance investments		33,792		32,634		1,158
Deferred income taxes		45,191		50,782		(5,591)
Deferred income taxes due to reevaluation for land	(*5)	1,995		-		1,995
Other	(*2)	39,567		40,791		(1,224)
Allowance for doubtful accounts		(3,029)		(834)		(2,195)
Total		385,728	23.2	270,191	16.5	115,537
Total fixed assets		1,108,683	66.7	1,005,263	61.7	103,420
Foreign Currency Translation Adjustments		-		38,537	2.4	(38,537)
TOTAL ASSETS		1,661,652	100.0	1,627,400	100.0	34,252

(¥ millions)

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	(Note)	At December 31, 2001		At December 31, 2000		Increase (Decrease)
		Amount	Percentage over total assets	Amount	Percentage over total assets	Amount
Current Liabilities						
Notes and accounts payable		105,084		99,932		5,152
Short-term bank loans	(*3)	26,133		24,708		1,425
Beer taxes payable		119,315		122,721		(3,406)
Income taxes payable		19,280		17,100		2,180
Accrued expenses		57,243		67,154		(9,911)
Deposits received		64,406		67,564		(3,158)
Other		50,177		51,850		(1,673)
Total current liabilities		441,641	26.6	451,032	27.7	(9,391)
Long-term Liabilities						
Bonds		87,400		27,612		59,788
Long-term debt	(*3)	74,511		92,370		(17,859)
Retirement and severance benefits		-		87,643		(87,643)
Pension and retirement benefits		100,060		-		100,060
Retirement benefits for directors and corporate auditors		2,022		1,702		320
Reserve for repair and maintenance of vending machines		5,520		4,652		868
Reserve for loss on non-consolidated subsidiaries, affiliates and other investments		-		516		(516)
Deposits received	(*3)	84,241		94,220		(9,979)
Other		20,178		21,639		(1,461)
Total long-term liabilities		373,934	22.5	330,357	20.3	43,577
TOTAL LIABILITIES		815,576	49.1	781,390	48.0	34,186
MINORITY INTERESTS		63,174	3.8	77,524	4.8	(14,350)
Common Stock		102,045	6.1	102,045	6.3	-
Additional Paid-In Capital		70,868	4.3	70,868	4.4	-
Revaluation variance for Land	(*5)	(1,625)	(0.1)	-		(1,625)
Retained Earnings		608,603	36.6	595,575	36.5	13,028
Net unrealized holding gains on securities		19,331	1.2	-		19,331
Foreign currency translation adjustments		(16,235)	(1.0)	-		(16,235)
Total		782,988	47.1	768,490	47.2	14,498
Treasury Stock		(86)	(0.0)	(3)	(0.0)	(83)
TOTAL SHAREHOLDERS' EQUITY		782,902	47.1	768,486	47.2	14,416
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY		1,661,652	100.0	1,627,400	100.0	34,252

CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

	(Note)	Year ended December 31, 2001		Year ended December 31, 2000		Increase (Decrease)
		Amount	Percentage over sales	Amount	Percentage over sales	Amount
Sales		1,561,879	100.0	1,580,825	100.0	(18,946)
Cost of Sales		999,907	64.0	1,021,001	64.6	(21,094)
Gross Profit		561,972	36.0	559,823	35.4	2,149
Selling, General and Administrative Expenses	(*1,2)	486,907	31.2	465,425	29.4	21,482
Operating Income		75,065	4.8	94,397	6.0	(19,332)
Non-operating Income						
Interest income		1,675		4,198		(2,523)
Return on funds in trust		558		-		558
Dividend income		1,864		2,695		(831)
Equity in earnings of affiliates		1,864		614		1,250
Reversal of loss from valuation of marketable securities		-		2,968		(2,968)
Other		5,718		5,256		462
Total		11,681	0.7	15,733	1.0	(4,052)
Non-operating Expenses						
Interest expense		9,733		8,722		1,011
Other		7,673		8,328		(655)
Total		17,407	1.1	17,051	1.1	356
Income before special Items and Income Taxes		69,339	4.4	93,080	5.9	(23,741)
Special Income						
Gain on sales of fixed assets	(*3)	2,981		9,234		(6,253)
Reversal of provision for doubtful accounts		-		283		(283)
Gain on sales of marketable securities		9,959		-		9,959
Gain on establishment of trust for employees' pension and retirement benefit		4,599		-		4,599
Gain on sales of affiliates		6,387		-		6,387
Total		23,928	1.5	9,518	0.6	14,410
Special Expenses						
Loss on disposal of fixed assets	(*4)	4,998		6,727		(1,729)
Loss on sales of fixed assets	(*5)	759		498		261
Plant restructuring cost		-		15,322		(15,322)
Business restructuring cost		-		1,274		(1,274)
Loss on disposal of affiliates		991		485		506
Write-down of fixed assets of foreign subsidiaries and affiliates	(*6)	3,708		7,044		(3,336)
Loss on revaluation of marketable securities		3,283		-		3,283
Loss on sales of marketable securities		1,299		-		1,299
Loss on revaluation of golf club membership	(*7)	2,257		-		2,257
Amortization of net transition obligation of accounting standard for employees' severance and retirement benefits		18,835		-		18,835
Total		36,133	2.3	31,353	2.0	4,780
Income before Income Taxes and Minority Interests		57,134	3.7	71,245	4.5	(14,111)
Income Taxes (Current)		40,207	2.6	39,399	2.5	808
Income Taxes (Deferred)		(10,705)	(0.7)	(2,586)	(0.2)	(8,119)
Minority Interests		4,509	0.3	1,509	0.1	3,000
Net Income		23,122	1.5	32,924	2.1	(9,802)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(¥ millions)

	Year ended December 31, 2001	Year ended December 31, 2000	Increase (Decrease)
Retained earnings at beginning of period			
Retained earnings at beginning of period	595,575	553,044	42,531
Cumulative effect of change in accounting for income taxes	-	56,287	(56,287)
Total	595,575	609,332	(13,757)
Increase in retained earnings			
Increase resulting from newly consolidated subsidiaries	-	9,927	(9,927)
Increase resulting from new affiliates under equity method	4	3,590	(3,586)
Foreign currency translation adjustment of foreign subsidiaries and affiliates	1,291	-	1,291
Increase resulting from merger	-	179	(179)
Increase in retained earnings of an equity method affiliate due to increase of consolidation scope	706	-	706
Total	2,003	13,697	(11,694)
Decrease in retained earnings			
Cash dividends paid	11,814	11,949	(135)
Bonuses paid to directors and corporate auditors (corporate auditors' portion included above)	283	314	(31)
	28	27	1
Purchase and retirement of common stocks	-	24,387	(24,387)
Decrease resulting from newly consolidated subsidiaries	-	21,461	(21,461)
Decrease resulting from new affiliates under equity method	-	298	(298)
Decrease due to revaluation of property, plant and equipment of foreign subsidiaries and affiliates	-	1,077	(1,077)
Foreign currency translation adjustments of foreign subsidiaries and affiliates	-	211	(211)
Decrease resulting from change in interest in consolidated subsidiaries	-	676	(676)
Total	12,097	60,377	(48,280)
Net income	23,122	32,924	(9,802)
Retained earnings at end of period	608,603	595,575	13,028

CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ millions)

	Year ended December 31, 2001	Year ended December 31, 2000	Increase (Decrease)
Cash flows from operating activities			
Income before income taxes and minority interests	57,134	71,245	(14,111)
Depreciation	73,588	72,051	1,537
Amortization of consolidation difference	2,875	3,281	(406)
Increase (decrease) in pension and retirement benefits	14,870	-	14,870
Interest and dividend income and return on funds in trust	(4,098)	(6,894)	2,796
Reversal of write-down of marketable securities	-	(2,968)	2,968
Interest expense	9,733	8,722	1,011
Gain on sales of fixed assets	(2,981)	(9,234)	6,253
Gain on sales of marketable securities and investments in securities	(10,024)	-	(10,024)
Gain on establishment of trust for employees' pension and retirement benefit	(4,599)	-	(4,599)
Gain on sales of affiliates	(6,387)	-	(6,387)
Loss on disposal or sales of fixed assets	5,757	7,226	(1,469)
Plant restructuring cost	-	15,322	(15,322)
Business restructuring cost	-	1,274	(1,274)
Write-down of fixed assets of foreign subsidiaries and affiliates	3,708	7,044	(3,336)
Write-down of marketable securities	3,283	-	3,283
Decrease (increase) in notes and accounts receivable	(13,945)	(4,979)	(8,966)
Decrease (increase) in inventories	(1,762)	827	(2,589)
Increase (decrease) in notes and accounts payable	3,249	8,775	(5,526)
Increase (decrease) in beer taxes payable	(4,359)	(12,837)	8,478
Increase (decrease) in deposits received	(9,662)	-	(9,662)
Other	(2,356)	(15,963)	13,607
Sub-total	114,022	142,895	(28,873)
Interest, dividend and return on funds in trust received	5,013	7,788	(2,775)
Interest paid	(9,660)	(9,037)	(623)
Early retirement benefit paid	-	(5,250)	5,250
Income taxes paid	(38,230)	(42,681)	4,451
Net cash provided by operating activities	71,144	93,714	(22,570)
Cash flows from investing activities			
Payments for purchases of property, plant, equipment and Intangible fixed assets	(71,449)	(93,899)	22,450
Proceeds from sales of property, plant and equipment	4,297	8,493	(4,196)
Payments for purchases of marketable securities	-	(1,536)	1,536
Payments for purchases of marketable securities and Investment securities	(9,183)	-	(9,183)
Proceeds from sales and redemption of marketable securities	-	12,557	(12,557)
Proceeds from sales and redemption of marketable securities and investment securities	30,548	-	30,548
Payments for purchases of investment securities	-	(10,953)	10,953
Proceeds from termination of funds in trust	20,000	-	20,000
Proceeds from termination of life insurance investment	533	20,008	(19,475)
Payments for investments in subsidiaries' common stock	-	(2,486)	2,486
Payments for investments in consolidated subsidiaries' common stock	(19,215)	(4,000)	(15,215)
Proceeds from sale of consolidated subsidiaries' common stock	37,086	-	37,086
Other	(4,725)	2,726	(7,451)
Net cash used in investing activities	(12,108)	(69,090)	56,982
Cash flows from financing activities			
Decrease in short-term bank loans	(5,225)	-	(5,225)
Proceeds from long-term debt	18,435	36,176	(17,741)
Repayments of long-term debt	(36,151)	(43,966)	7,815
Proceeds from issue of bonds	69,900	17,656	52,244
Payment for redemption of bonds	(10,602)	(11,309)	707
Payments for purchases of treasury stock	(82)	(24,373)	24,291
Payments for purchases of treasury stock by consolidated subsidiaries	-	(2,706)	2,706
Cash dividends paid	(11,814)	(11,949)	135
Cash dividends paid to minority shareholders	(3,489)	(3,228)	(261)
Other	(104)	6	(110)
Net cash used in financing activities	20,865	(43,693)	64,558
Effect of exchange rate fluctuation on cash and cash equivalents	93	691	(598)
Net increase (decrease) in cash and cash equivalents	79,995	(18,378)	98,373
Cash and cash equivalents at beginning of period	64,335	65,191	(856)
Cash and cash equivalents of newly consolidated subsidiaries at beginning of period	-	17,522	(17,522)
Cash and cash equivalents at end of period	144,331	64,335	79,996

SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATION

The following is the table of scope of consolidation and application of equity method.

Classification	Number of companies
Consolidated subsidiaries (Note 1)	261
Unconsolidated subsidiaries applied by equity method (Note 2)	1
Affiliated companies applied by equity method (Note 3)	15

(Consolidation)

Note 1:

- (1). The names of main consolidated subsidiaries are KIRIN BEVERAGE CORPORATION and LION NATHAN LTD..
- (2). The changes of the scope of consolidation are as follows:
 - (a) Due to acquisition of additional shares, 35 companies including Nihon Fine Foods Co., Ltd. became consolidated subsidiaries.
 - (b) Due to establishment or new acquisition, 16 companies including Kirin Green & Flower Co., Ltd. became consolidated subsidiaries.
 - (c) Due to merger among subsidiaries of a consolidated subsidiary, 3 companies including a subsidiary of Kirin Logistics Co., Ltd. are excluded from consolidation scope.
 - (d) Due to sales of shares, 25 companies including subsidiaries of Kirin Agribio EC B.V. are excluded from consolidation scope.
 - (e) Due to completion of liquidation, 3 companies are excluded from consolidation scope.
- (3). Unconsolidated subsidiaries including KIRIN AGRIBIO USA, INC. are excluded from the consolidation scope because the effect of their net sales and net income or losses for the current fiscal year, and total assets and retained earnings as of December 31, 2001 on the consolidated financial statements are immaterial.
- (4). The following are the names of consolidated subsidiaries whose accounting period ends are different from that of the Company.

Name of subsidiary	Accounting period	
LION NATHAN LTD. and its subsidiaries	September 30, 2001	(*)
TWYFORD INTERNATIONAL INC.	September 30, 2001	(*)
Twyford laboratorio de plantas S.A.	September 30, 2001	(*)
Kirin-Asupro Co., Ltd.	November 30, 2001	(*)
Nihon Fine Foods Co., Ltd.	November 30, 2001	(*)
JAPAN POTATO CORPORATION	June 30, 2001	(**)

(*) In order to consolidate those financial statements into the Company's financial statements, firstly adjustments are made for significant inter-company transactions occurred between their accounting period ends and the Company's and then their adjusted financial statements are used for the consolidation.

(**) The company's adjusted financial statements as of December 31, 2001 and for the year then ended are used for the purpose of consolidation.

(Equity Method)

Note 2:

The unconsolidated subsidiary applied by equity method is SHANGHAI JINJIANG KIRIN BEVERAGE & FOOD CO., LTD.

Note 3:

- (1). The names of main affiliated companies under the equity method are KIRIN-SEAGRAM LTD, KINKI COCA-COLA BOTTLING CO., LTD and YONEKYU CORPORATION.
- (2). The change of the scope of application of equity method:
 - (a) Due to an acquisition of additional shares, Kirin-Asupro Sales Corporation became an equity method affiliate.
 - (b) Due to additional acquisition of shares and therefore becoming a consolidated subsidiary, 3 companies including Nihon Fine Foods Co., Ltd..
 - (c) Due to sale of the shares, affiliates of Kirin Techno-System is no longer applied by the equity method.
- (3). Investments in unconsolidated subsidiaries including KIRIN AGRIBIO USA, INC. not accounted for by the equity method and affiliated companies including Diamond Sports Club Co., Ltd. not accounted for by the equity method, are stated at cost because the effect of their net income or losses for the current fiscal year and retained earnings as of December 31, 2001 on the consolidated financial statements are immaterial.
- (4). Where accounting periods of the affiliated companies under the equity method are different from that of the Company, the Company used their financial statements for the current period without any adjustments for equity calculation purposes. Where the difference is more than 6 months, the Company used their latest interim financial statements.

1. Valuation of securities

Debt securities intended to be held to maturity are valued by amortized cost method

Available-for-sale securities with available fair market values are stated at fair market value with unrealized gains and unrealized losses on these securities reported, net of applicable income taxes, as a separate component of shareholder's equity. Realized gains and losses on sale of available-for-sale securities are computed using moving-average cost.

Other securities with no available fair market value are stated at moving-average cost.

2. Valuation of Inventories

Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the average method.

Raw materials and supplies are mainly stated at cost determined by the moving average method.

Construction in process is stated at cost determined by the specific identification method.

3. Funds in trust

Fair value

4. Derivative financial instruments

Fair value

5. Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated on the declining balance method, except for buildings (excluding buildings fixtures) acquired on and after April 1, 1998, where depreciation is calculated on the straight-line method. Leased assets are depreciated over each lease term based on the straight-line method with the estimated residual value at the end of the lease term. Consolidated foreign subsidiaries adopt the straight-line method.

6. Amortization of intangible fixed assets

The straight-line method

7. Allowance for doubtful accounts

The Company and its consolidated domestic subsidiaries provide sufficient allowance for doubtful accounts to cover possible losses on collection by estimating uncollectible amounts for individual accounts.

8. Pension and retirement benefits

The Company and consolidated subsidiaries provide allowance for employees' pension and retirement benefits at December 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the date. The estimated net transition obligation for the year ended December 31, 2001 of ¥18,835million, is recognized as special expense for the current year.

Actuarial differences are amortized by the straight-line method over the average estimated service period, which is 15 years, beginning from the next fiscal year.

9. Retirement benefits for directors and corporate auditors

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

10. Reserve for repair and maintenance of vending machines

KIRIN BEVERAGE CORPORATION and its consolidated subsidiaries provide for repair and maintenance cost of vending machines, by estimating the necessary repair and maintenance cost in the future and then allocating the costs over 5 year period. The actual expenditure is deducted in the balance of the reserve on the balance sheet.

11. Leases

Finance leases, except for those leases which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

Consolidated foreign subsidiaries mainly capitalize finance leases.

12. Hedge accounting

Where certain hedging criteria are met, the Company defers the recognition of gains and losses resulting from the changes in fair value of derivative financial instruments until the related losses or gains on the hedging items are recognized.

For forward foreign exchange contracts used for hedging purposes, the foreign currency receivables or payables are recorded at the contracted forward rates. In addition, for interest rate swap contracts meeting hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added or to be deducted from the interest on the assets or liabilities.

The Company and its subsidiaries use forward foreign currency contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to foreign currency receivables from the sale of the Companies' products and interest rate increases with respect to borrowings, within the amounts of foreign currency borrowings or receivables.

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

Hedging items	Hedging instruments
Foreign currency trade receivables and trade payables	Foreign currency forward and swap contracts etc.
Loans receivable and payable	Interest rate swap contracts etc.
Commodity price	Commodity swap contracts etc.

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

13. Consumption tax

Consumption tax is excluded from the accounts which are subject to such tax.

14. Valuation of the assets and liabilities of consolidated subsidiaries

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the respective subsidiaries were initially consolidated.

15. Consolidation differences

Differences between the cost and the underlying net equity of investments in consolidated subsidiaries and affiliates which are accounted for by the equity method is amortized using the straight-line method from 15 to 20 years. Where the difference is small, it is amortized when incurred.

16. Appropriation of retained earnings

The appropriation of retained earnings of the consolidated subsidiaries is based upon the appropriation resolved at the subsidiaries during the current fiscal year.

17. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-time highly liquid investments with negligible risk of changes in value and maturity of not exceeding 3 months at the time of purchase are considered to be cash and cash equivalents.

ADDITIONAL INFORMATION:

(Employees' pension and retirement benefits)

Effective January 1, 2001, the Company adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998. As a result of the adoption of the new accounting standard, in the year ended December 31, 2001, pension and retirement benefit expenses increased by ¥ 12,116million, operating income increased by ¥ 5,292million and income before income taxes decreased by ¥ 8,943million compared with what would have been recorded under the previous accounting standard. The amortization of net transition obligation of ¥ 18,835million is recorded as special expense, and gain on securities contributed to pension and retirement benefits trust of ¥ 4,599million are recorded as special income.

Provision for retirement benefits recorded in the previous year under the previous accounting standard, and payable for prior service cost included in pension and retirement benefits.

(Securities)

Effective January 1, 2001, the Company adopted the new accounting standard for financial instruments, "Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999. As a result of adopting the new accounting standard for financial instruments, operating income and income before income taxes increased by ¥ 3,856million. Also, based on the examination of the intent of holding each security upon application of the new accounting standard on January 1, 2001, securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and other assets. As a result, at December 31, 2001, securities in current assets decreased by ¥ 112,321million and investment securities increased by the same amount compared with what would have been recorded under the previous accounting standard. Also as a result of the adoption, return on funds in trust, which was included in interest income in the prior year is separately disclosed in the statement of operation for the year ended December 31, 2001.

The amounts of return on funds in trust for the year ended December 31, 2000 were ¥ 1,907million.

(Foreign currency translation)

Effective January 1, 2001, the Company adopted the revised accounting standard for foreign currency translation, "Opinion on Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999. The impact of adopting the revised accounting standard on the reported result of operation is immaterial.

In addition, due to the adoption of the revised accounting standard, foreign currency translation adjustments (of ¥ 16,501million) are included in shareholders' equity in the consolidated balance sheet at December 31, 2001. The prior year amount, which is included in assets, has not been reclassified.

NOTES TO:

(CONSOLIDATED BALANCE SHEETS)

1 Accumulated depreciation		(¥ millions)
	At December 31, 2001	At December 31, 2000
Accumulated depreciation	724,174	696,264

2 Investments in non-consolidated subsidiaries and affiliates		(¥ millions)
	At December 31, 2001	At December 31, 2000
Investments in securities (Stocks)	69,472	72,751
Other in investments and other assets (Equity)	306	462

3 Detail of collateral		(¥ millions)	
(1) Collateral		At December 31, 2001	At December 31, 2000
Notes and accounts receivable		391	518
Inventories		3,055	2,026
Buildings and structures		1,432	1,552
Machinery, equipment and vehicles		1,719	1,710
Land		1,132	1,096
Other of property, plant and Equipment (Fixtures)		35	19
Investments in securities		33	29
Total		7,800	6,952
Following assets, which are included above, are pledged as factory foundation collateral			
Buildings and structures		313	337
Machinery, equipment and vehicles		36	41
Land		657	657
Total		1,008	1,036

(2) Secured borrowing		(¥ millions)	
	At December 31, 2001	At December 31, 2000	
Short-term bank loans	2,400	3,150	
Long-term debt (include current maturities of longterm loans)	1,630	1,729	
Deposits received	3,408	3,408	
Postage charge (facility limit)	29	29	
Total	7,468	8,316	

Following assets, which are included above, are pledged as factory foundation collateral

Short-term bank loans	2,400	3,150
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1. Factory foundation collateral consists of the Headquarters factory and Matsumoto factory of Nagano Tomato Corporation.
2. Notes, accounts receivable and inventories, which are pledged as collateral, shown above, are for Kirin Agribio EC B.V. and Raymond Vineyard & Cellar Inc.

4 Contingent liabilities

(1) Guarantees for unconsolidated subsidiaries and affiliated companies (¥ millions)		
	At December 31, 2001	At December 31, 2000
Marinonet Co.,Ltd.	3,675	1,257
Koiwai Dairy Products Co.,Ltd.	1,650	1,600
Other	471	1,087
Number	3	17
(Foreign currency)	-	296
		[NLG 1,509t AUD 3,812t]
<hr/>		
(2) Guarantees for employee's housing loan from banks (¥ millions)		
	At December 31, 2001	At December 31, 2000
	13,399	13,639
<hr/>		
(3) Guarantees for customers (¥ millions)		
	At December 31, 2001	At December 31, 2000
Southeastern Container, Inc.	1,464 (USD 11,102t)	1,273 (USD 11,102t)
Other	858	434
(Amounts of customers)	55	3)
(Foreign currency)	443 (AUD 7,631 t)	-)
<hr/>		
Total contingent liabilities	21,519	19,292
(Including agreements similar to contingent liabilities)	969	765)

5 Revaluation of land

KIRIN BEVERAGE CORPORATION revalued land used for business pursuant to Law Concerning Revaluation Reserve for Land (effective March 31, 1998) and revision of the Law on March 31, 2001.

Due to revaluation of land in assets, the revaluation difference, net of tax, is accounted for as revaluation variance for land in stockholders' equity, and tax portion is accounted for as deferred income taxes.

Revaluation was performed by adjusting the road rating pursuant to Article 2, Paragraph 4 of the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land effective March 31, 1998.

Where the road rating is not provided, adjusted valuation of real estate tax set in the Article 2, Paragraph 4 was used.

Date of revaluation	December 31, 2001
Book value before revaluation	¥ 21,618million
Book value after revaluation	¥ 16,879million

(CONSOLIDATED STATEMENTS OF INCOME)

1 Major elements of selling, general and administrative expenses (¥ millions)

	Year ended December 31, 2001	Year ended December 31, 2000
Sales promotion	139,870	115,604
Freight	45,546	45,478
Advertising	61,290	61,398
Pension and retirement benefit costs	8,078	-
Employee's compensation	82,658	83,717
Research and development	22,868	20,818
Depreciation	24,571	23,157
Retirement and severance benefits	-	8,863

2 Research and development expenses included in selling, general and administrative expenses and cost of sales (¥ millions)

	Year ended December 31, 2001	Year ended December 31, 2000
Total Research and development expenses	23,063	21,445

3 Gain on sales of fixed assets (¥ millions)

	Year ended December 31, 2001	Year ended December 31, 2000
Land	2,897	8,741
Other	83	493
Total	2,981	9,234

4 Loss on disposal of fixed assets (¥ millions)

	Year ended December 31, 2001	Year ended December 31, 2000
Buildings and structures	2,328	2,217
Machinery, equipment and vehicles	2,407	3,326
Other	262	1,184
Total	4,998	6,727

5 Loss on sales of fixed assets (¥ millions)

	Year ended December 31, 2001	Year ended December 31, 2000
Buildings and structures	401	42
Machinery, equipment and vehicles	255	442
Other	102	14
Total	759	498

6 Write-down of fixed assets of foreign subsidiaries and affiliates

The amounts of write-down of fixed assets of foreign subsidiaries and affiliates represent impairment loss of goodwill and other assets of LION NATHAN LTD. 2001 and impairment loss of fixed assets at LION NATHAN China for 2000.

7 Loss on revaluation of golf club membership

Loss on revaluation of golf club membership of ¥2,079 million are recorded as allowance for doubtful accounts for 2001.

(CONSOLIDATED STATEMENTS OF CASH FLOWS)

1 Reconciliation between cash and cash equivalents on consolidated statements of cash flows at end of period and related accounts on consolidated balance sheets is as follows;

(¥ millions)

	At December 31, 2001	At December 31, 2000
Cash	143,525	50,579
Marketable securities	12,272	136,132
Fixed (time) deposit over 3 months	(3,411)	(4,039)
Marketable securities over 3 months	(8,054)	(118,337)
Cash and cash equivalents at end of period	144,331	64,335

2 Assets and liabilities of the newly consolidated subsidiaries by acquisition

(¥ millions)

	At December 31, 2001	At December 31, 2000
Current Assets	11,938	-
Fixed Assets	44,457	-
Consolidation differences	92	-
Current Liabilities	(4,423)	-
Long-term Liabilities	(14,933)	-
Minority interests	(10,240)	-
Acquisition cost	26,891	-
Acquisition cost at the beginning of the period	(7,803)	-
Acquisition cost during the period	19,087	-
Cash and cash equivalents of the acquired companies	127	-
Expenditure of acquisition	19,215	-

3 Assets and liabilities of the companies excluded from consolidation scope due to sales of stock

(¥ millions)

	At December 31, 2001	At December 31, 2000
Current Assets	10,310	-
Fixed Assets	42,603	-
TOTAL ASSETS	52,914	-
Current Liabilities	(2,611)	-
Long-term Liabilities	(15,545)	-
TOTAL LIABILITIES	(18,157)	-

4 Non cash transaction

(1) Securities contributed to employees' pension and retirement benefits trust

(¥ millions)

	At December 31, 2001	At December 31, 2000
Securities contributed	3,802	-
Gain on contribution	4,599	-
Total Securities contributed	8,401	-

(2) Assets and liabilities of the newly consolidated subsidiaries in accordance with the revision of accounting standards for consolidation (¥ millions)

	At December 31, 2001	At December 31, 2000
Current Assets	-	33,413
Fixed Assets	-	180,233
(Consolidation differences)	-	47,975)
Foreign Currency Translation Adjustments	-	15,730
TOTAL ASSETS	-	229,376
Current Liabilities	-	(29,141)
Long-term Liabilities	-	(82,704)
TOTAL LIABILITIES	-	(111,846)

(SEGMENT INFORMATION)

1. Business Segment Information

(¥ millions)

	Year ended December 31, 2001					
	Alcoholic beverages	Soft drinks	Other	Total	Elimination/ Unallocation	Consolidated
Sales, operating expenses and operating income						
Sales						
1 Unaffiliated customers	1,078,004	332,951	150,922	1,561,879	-	1,561,879
2 Intersegment	2,845	1,296	129,678	133,819	(133,819)	-
Total sales	1,080,849	334,248	280,600	1,695,698	(133,819)	1,561,879
Operating expenses	1,034,393	317,128	264,733	1,616,255	(129,441)	1,486,814
Operating income	46,455	17,120	15,867	79,443	(4,378)	75,065
Assets, depreciation and capital expenditure						
Assets	759,833	233,771	288,247	1,281,853	379,799	1,661,652
Depreciation	40,960	16,105	14,637	71,703	1,885	73,588
Capital expenditure	64,165	15,481	16,866	96,513	517	97,031

(¥ millions)

	Year ended December 31, 2000					
	Beer	Soft drinks	Other	Total	Elimination/ Unallocation	Consolidated
Sales, operating expenses and operating income						
Sales						
1 Unaffiliated customers	1,111,882	318,006	150,936	1,580,825	-	1,580,825
2 Intersegment	2,965	1,219	103,935	108,120	(108,120)	-
Total sales	1,114,848	319,225	254,872	1,688,946	(108,120)	1,580,825
Operating expenses	1,049,974	301,388	237,925	1,589,288	(102,860)	1,486,427
Operating income	64,873	17,837	16,947	99,658	(5,260)	94,397
Assets, depreciation and capital expenditure						
Assets	740,135	224,118	309,548	1,273,802	353,598	1,627,400
Depreciation	38,241	15,874	15,682	69,798	2,252	72,051
Capital expenditure	58,807	25,266	15,874	99,948	8,246	108,195

Notes: 1. Types and nature of products are considered in classification of business segments. In January 2001, the marketing division of Kirin Seagram Ltd, an affiliated company under equity method, is integrated into Kirin Brewery Limited, in accordance with the Kirin Group's strategy to concentrate on total alcoholic beverages. As a result, sales of ¥ 51,080million has been recognized for the year ended December 31, 2001 for whisky, spirits, wine etc.. As the nature and the market of these alcoholic beverages and beer are similar, such sales are added to the sales of beer segments, and accordingly, the presentation of "beer" segment has been changed to "alcoholic beverages" in the current period.

2. Main products of sales by segment are as follows:

Sales by segment	Main products
Alcoholic beverages	Beer, Sparkling malt liquor (<i>Happoshu</i>), Whiskey, Spirits, Wine etc.
Soft drinks	Soft drink, Other drink
Other	Pharmaceutical products, Engineering, Logistics, Floriculture etc.

3. Unallocable operating expenses included in "Elimination / Unallocation" mainly consist of costs for new business development and costs for new basic technologies researched and developed by the Company.

Year ended December 31, 2001 ¥ 3,982million

Year ended December 31, 2000 ¥ 4,681million

4. Unallocable assets included in "Elimination / unallocation" mainly consist of surplus funds (cash and marketable securities), long- term investments (investment in securities and life insurance), and assets which belong to administrative department of the Company.

Year ended December 31, 2001 ¥ 410,749million

Year ended December 31, 2000 ¥ 385,507million

5. As a result of adopting the new accounting standard for severance and pension benefits, the operating expenses has decreased by ¥ 5,718million for "alcoholic beverages", increased by ¥ 109million for "soft drinks", decreased by ¥ 1,360million for "other" and decreased by ¥ 60million for "elimination/unallocation", compared to what would have been reported under the previous accounting standard.

2. Geographical Segment Information

(¥ millions)						
Year ended December 31, 2001						
	Japan	Asia, Oceania	Other	Total	Elimination/ Unallocation	Consolidated
Sales, operating expenses and operating income						
Sales						
1 Unaffiliated customers	1,408,904	105,224	47,750	1,561,879	-	1,561,879
2 Intersegment	2,268	910	703	3,882	(3,882)	-
Total sales	1,411,172	106,135	48,453	1,565,761	(3,882)	1,561,879
Operating expenses	1,349,543	91,998	45,035	1,486,577	236	1,486,814
Operating income	61,629	14,136	3,417	79,184	(4,119)	75,065
Assets	1,011,618	186,513	62,289	1,260,421	401,231	1,661,652

(¥ millions)						
Year ended December 31, 2000						
	Japan	Asia, Oceania	Other	Total	Elimination/ Unallocation	Consolidated
Sales, operating expenses and operating income						
Sales						
1 Unaffiliated customers	1,428,444	105,964	46,416	1,580,825	-	1,580,825
2 Intersegment	2,617	882	482	3,982	(3,982)	-
Total sales	1,431,062	106,846	46,899	1,584,808	(3,982)	1,580,825
Operating expenses	1,346,136	95,236	44,311	1,485,684	742	1,486,427
Operating income	84,925	11,610	2,587	99,123	(4,725)	94,397
Assets	992,498	196,062	53,954	1,242,516	384,884	1,627,400

Notes: 1. Geographical distances are considered in classification of country or area.

2. Major countries or areas included in each segment except for Japan are as follows;

Asia, Oceania	East Asia ,Southeast Asia , Oceania
Other	USA, Europe

3. Amounts and major items included in "Elimination/Unallocation" are the same as those described in Notes 3 and 4 in "1.Business Segment Information".

4. As a result of adopting the new accounting standard for employees' severance and pension benefits, the operating expenses has decreased by ¥ 7,029million for "Japan", compared to what would have been reported under the previous accounting standard.

5. Lion Nathan Limited, a consolidated subsidiary, which is included in "Asia, Oceania", has changed its accounting period and therefore reported 13 months results for the previous year period.

3. Overseas sales

(¥ millions)

	Year ended December 31,2001		
	Asia, Oceania	Other	Total
Overseas sales	105,879	48,100	153,979
Consolidated sales	-	-	1,561,879
Percentage of overseas sales to consolidated sales(%)	6.8	3.1	9.9

(¥ millions)

	Year ended December 31,2000		
	Asia, Oceania	Other	Total
Overseas sales	106,747	46,794	153,542
Consolidated sales	-	-	1,580,825
Percentage of overseas sales to consolidated sales(%)	6.8	3.0	9.7

Notes: 1. Geographical distances are considered in classification of country or area.

2. Major countries or areas included in each segment are as follows;

Asia, Oceania	East Asia ,Southeast Asia, Oceania
Other	USA, Europe

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

4. Lion Nathan Limited, a consolidated subsidiary, which is included in "Asia, Oceania", has changed its accounting period and therefore reported 13 months results for the previous year period.

(LEASE TRANSACTIONS)

Lessee lease

(Finance lease transactions without ownership transfer to lessee)

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

(¥ millions)

	At December 31, 2001	At December 31, 2000
Machinery, equipment and vehicles		
Purchase price equivalent	2,794	2,688
Accumulated depreciation equivalent	1,462	1,397
Book value equivalent	1,331	1,290
Property, plant and equipment, other (Tools)		
Purchase price equivalent	4,165	4,570
Accumulated depreciation equivalent	2,700	3,109
Book value equivalent	1,465	1,461
Total		
Purchase price equivalent	6,959	7,258
Accumulated depreciation equivalent	4,162	4,507
Book value equivalent	2,797	2,751

(2) Lease commitments

(¥ millions)

	At December 31, 2001	At December 31, 2000
Due within one year	1,142	1,034
Due after one year	1,822	1,671
Total	2,964	2,705

(3) Lease payments, depreciation equivalent and interest equivalent

(¥ millions)

	Year ended December 31, 2001	Year ended December 31, 2000
Lease payments	1,495	1,422
Depreciation equivalent	1,257	1,255
Interest equivalent	87	82

(4) Method of computing depreciation equivalent

Depreciation equivalent is computed on a straight-line method over the lease period with residual value of zero.

(5) Allocation of interest equivalent

Differences between total lease expenses and its acquisition costs of the leased properties comprise interest equivalent and insurance, maintenance and certain other operating costs. Interest equivalent is allocated using interest method over the terms of leases.

(Operating lease transactions)

Lease commitments

(¥ millions)

	At December 31, 2001	At December 31, 2000
Due within one year	302	1,387
Due after one year	747	3,903
Total	1,049	5,290

Lessor lease

(Finance lease transactions without ownership transfer to lessee)

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

(¥ millions)

	At December 31, 2001	At December 31, 2000
Property, plant and equipment, other (Leased assets)		
Purchase price	18,600	17,349
Accumulated depreciation	11,837	10,980
Book value	6,762	6,369
Intangible fixed assets, other (Leased assets)		
Purchase price	-	-
Accumulated depreciation	-	-
Book value	696	584
Total		
Purchase price	18,600	17,349
Accumulated depreciation	11,837	10,980
Book value	7,458	6,954

(2) Lease commitments

(¥ millions)

	At December 31, 2001	At December 31, 2000
Due within one year	2,235	2,364
Due after one year	5,512	4,967
Total	7,748	7,331

(3) Lease revenue, depreciation equivalent and interest equivalent

(¥ millions)

	Year ended December 31, 2001	Year ended December 31, 2000
Lease revenue	3,030	3,273
Depreciation equivalent	2,502	2,705
Interest equivalent	334	376

(4) Allocation of interest equivalent

Interest equivalent is allocated using interest method over the terms of leases.

(Related party transactions)

The disclosure for related party transactions are omitted as there has been no significant with related parties.

(Deferred income taxes)

1. Significant components of deferred income tax assets and liabilities

(¥ millions)

	At December 31, 2001	At December 31, 2000
Deferred income tax assets		
Pension and retirement benefits	35,959	-
Retirement and severance benefits	-	27,359
Deferred charges	9,261	8,861
Depreciation	8,410	8,495
Unrealized profits on fixed assets	4,050	3,676
Other	32,667	26,233
Sub-total	90,349	74,625
Less valuation allowance	(300)	(13)
Total deferred income tax assets	90,049	74,612
Deferred income tax liabilities		
Net unrealized holding gains on securities	(14,020)	-
Reserve for deferred gains on sales of fixed assets for tax purposes	(11,000)	(10,272)
Accelerated depreciation for foreign subsidiary	(4,064)	(4,660)
Other	(6,949)	(2,090)
Total deferred income tax liabilities	(36,034)	(17,023)
Net deferred tax assets	54,014	57,589
Deferred income tax due to revaluation of land	1,995	
Net deferred income tax assets are included in the consolidated balance sheets as follows		
Current Assets - Deferred income tax assets	17,188	-
Fixed Assets - Deferred income tax assets	45,191	-
Current Liabilities - Other	(5)	-
Long-term Liabilities - Other	(8,359)	-

2. Significant components of difference between the statutory tax rate and the effective tax rate

(%)

	At December 31, 2001	At December 31, 2000
Statutory tax rate	42.1	42.1
Expenses	6.9	7.9
Revenue	(1.3)	(1.1)
Per capita inhabitants taxes	0.5	0.4
Consolidation difference	2.1	1.9
Other	1.3	0.5
Effective tax rate	51.6	51.7

(SECURITIES)

Year ended December 31, 2001

1. Held-to-maturity securities with market values (as of December 31,2001)			(¥ millions)
	Book value	Market value	Difference
Securities whose market value exceeds the book value			
Governmental/municipal bonds	1,048	1,075	26
Corporate bonds	1,787	1,810	23
Other	-	-	-
Sub-Total	2,835	2,885	49
Securities whose market value does not exceeds the book value			
Governmental/municipal bonds	49	49	(0)
Corporate bonds	-	-	-
Other	-	-	-
Sub-Total	49	49	(0)
Total	2,885	2,935	49

2. Other marketable securities with market values (¥ millions)

	Acquisition cost	Book value	Difference
Securities whose market value exceeds the book value			
Stocks	91,783	127,407	35,624
Bonds			
Governmental/municipal bonds	49	56	6
Corporate bonds	60	64	4
Other	6,498	6,545	47
Other	5,076	5,149	72
Sub-Total	103,468	139,223	35,755
Securities whose market value does not exceed the book value			
Stocks	18,389	15,950	(2,439)
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	2,395	2,348	(47)
Sub-Total	20,785	18,298	(2,486)
Total	124,253	157,522	33,268

3. Other marketable securities sold during the current period (¥ millions)

Amount sold	Total gain on sales	Total loss on sales
13,252	10,024	1,302

4. Other marketable securities at book value (as of December 31, 2001):

Other marketable securities	
Unlisted securities	¥ 41,751million
Investment fund constituted of bonds	¥1,637million
Mid term government security fund	¥ 987million

5. Maturities of other marketable securities with maturity and held-to-maturity debt securities(as of December 31, 2001) (¥millions)

	Due in 1 year	1 to 5 year	5 to 10 year	Over 10 years
Bonds				
Governmental/municipal bonds	-	1,154	-	-
Corporate bonds	644	1,143	-	-
Other	5,562	1,013	-	-
Other	2,233	-	-	-
Total	8,440	3,311	-	-

6. Impairment loss on marketable securities

Impairment loss of ¥ 3,283millions for other marketable securities were recorded for the year ended December 31, 2001. Where the market value is determinable, other marketable securities are subject to impairment loss when the decline of market value to the book value is more than 30%. In such case, securities are considered "substantially declined" and are written down unless the decline is temporary. The other marketable securities without market value are written down when the decline of substantive value to the acquisition cost is more than 50%, which is considered "substantially declined" unless the decline is temporary.

Year ended December 31, 2000 (as of December 31, 2000)

(¥ millions)

	Book value	At December 31, 2000	
		Market value	Unrealized gains
Current Assets			
Shares	96,422	164,547	68,125
Bonds	14,459	14,631	171
Other	546	549	3
Sub Total	111,428	179,728	68,300
Fixed Assets			
Shares	71,560	78,998	7,438
Bonds	79	84	5
Other			
Sub Total	71,639	79,083	7,444
TOTAL	183,067	258,811	75,744

Note 1: Computation of market value

- (1) Listed securities - closing price mainly at Tokyo Stock Exchange
- (2) Over-the-counter securities - latest transaction price announced by the Japan Securities Dealers Association
- (3) Unlisted securities - price of public and private corporation bond at the over-the-counter market, announced by the Japan Securities Dealers Association.
- (4) Unlisted beneficiary certificates for securities investment trust – base prices.

Note 2: The following securities, whose market values are not available, are excluded from the above table.

(¥ millions)

	Book value at December 31, 2000
Current Assets	
Mid term government security fund	3,870
Investment fund constituted of bonds	8,657
Free financial fund	350
Beneficiary certificate of security investment fund	4,826
Unlisted bonds etc	7,000
Fixed assets	
Unlisted securities	60,103
Securities in limited liability companies	106
Unlisted bonds etc	10,063

(CONTRACT AMOUNTS, MARKET VALUE AND UNREALIZED GAINS/LOSSES OF DERIVATIVE TRANSACTIONS)

At December 31, 2001

The disclosure of derivative transactions is omitted, because hedge accounting applies to all of the derivative contracts utilized by Kirin Brewery Company, Limited and its consolidated subsidiaries.

At December 31, 2000

1. Currency related derivatives;

(¥ millions)

Type	Contract amounts, etc	(Including amount due after one year)	Market value	Unrealized gains(losses)
Forward foreign exchange contracts:				
Selling	16,328		17,322	(993)
Buying	3,547		3,278	(268)
Options:				
Selling				
Call	912		(4)	(4)
Put	771		0	0
Buying				
Call	1,845		23	23
Swaps:	17,656	17,656	5,306	5,306
Total				4,064

2. Interest related derivatives;

(¥ millions)

Type	Contract amounts, etc	(Including amount due after one year)	Market value	Unrealized gains(losses)
Options:				
Selling				
Put	8,224	5,289	(14)	(14)
Buying				
Call	3,907	3,907	56	56
Swaps:				
Pay fixed rate, receive floating rate	42,596	37,176	(126)	(126)
Total				(83)

3. Commodity derivatives;

(¥ millions)

Type	Contract amounts, etc	(Including amount due after one year)	Market Value	Unrealized gains
Swaps:				
Aluminum	393		10	10
Total				10

(Pension and retirement benefits)

1. Summary of the severance and pension benefit plan

The Company and its subsidiaries provide three types of contributory defined benefit plans which are lump-sum severance payment, Welfare Pension Fund, and approved retirement pension. Extra payments may be added upon retirement of employees. Several foreign subsidiaries provide defined contribution plans and/or defined benefit plans. The Company has established the severance and pension benefit trust.

2. Pension and retirement benefits obligation (As of December 31, 2001) (¥ million)

(1) Projected benefit obligation	(315,240)
(2) Fair value of pension assets	174,482
(3) Unfunded pension obligation (1)+(2)	(140,757)
(4) Unrecognized actuarial difference	40,697
(5) Severance and pension benefit (3)+(4)	(100,060)

Notes: 1. Substitutional portion of the Welfare Pension Fund is included.

2. Several subsidiaries compute the projected benefit obligation by using simplified method.

3. Pension and retirement benefits expenses (From January 1, 2001 to December 31, 2001) (¥ million)

(1) Service cost (Notes 1,2)	8,912
(2) Interest cost	9,651
(3) Expected return on plan assets	(5,782)
(4) Amortization of net transition obligation	18,835
(5) Severance and pension benefits expenses	31,616

Notes: 1. Employees' contribution to the Welfare Pension Fund is excluded.

2. Severance and pension benefits expenses of subsidiaries using simplified method are included.

4. Basis for calculation of pension and retirement benefits, etc.

(1) Periodic allocation of anticipated severance and pension benefits	Straight-line method
(2) Discount rate	3.0%
(3) Percentage of expected return on assets	mainly 3.5%
(4) Periods over which the actuarial difference is amortized	15 years
(5) Periods over which the net transition obligation is amortized	1 year

(PRODUCTION, ORDERS RECEIVED AND SALES)

(1) PRODUCTION PERFORMANCE

Production performance for the current fiscal year classified by the type of business segment is as follows:

Business Segment	year ended December 31, 2001	Percentage change (%)
Alcoholic beverages	1,021,080 (¥ millions)	(8.1)
Soft drinks	99,206 (¥ millions)	(0.7)
Other	87,956 (¥ millions)	(2.5)

Notes: The amounts are calculated based on sales price without consumption taxes.

(2) ORDERS RECEIVED

Orders received for the current fiscal year classified by the type of business segment is as follows:

Business Segment	Orders received during period	Percentage change (%)	Backlog	Percentage change (%)
Soft drinks	471 (¥ millions)	(30.9)	- (¥ millions)	-
Other	10,625 (¥ millions)	(10.2)	2,824 (¥ millions)	2.3

Notes: The amounts are calculated based on sales price without consumption taxes.

(3) SALES PERFORMANCE

Sales performance for the current fiscal year classified by the type of business segment is as follows:

Business Segment	year ended December 31, 2001	Percentage change (%)
Alcoholic beverages	1,078,004 (¥ millions)	(3.0)
Soft drinks	332,951 (¥ millions)	4.7
Other	150,922 (¥ millions)	0.0

Notes: The amounts do not include the related consumption tax, etc.

As a result of changing the presentation of business segment, the presentation of "beer" sales by segment has been changed to "alcoholic beverages" in the current period.