

# 2007 interim results presentation

Interim period of the fiscal year ending December 31, 2007

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**KIRIN**

August 2007

KIRIN HOLDINGS COMPANY, LIMITED

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## 2007 H1 review

- ◆ Consolidated sales: ¥836.0 bn (up 6.8%)  
Domestic soft drinks and overseas alcohol businesses performed well  
Higher revenue due to new consolidation of Mercian
- ◆ Consolidated operating income: ¥42.8 bn (down 4.7%)  
Lower income due to impact of higher raw materials costs etc.

- Sales of beer + happo-shu + new genre down 2.7%, impacted by rush of new products, etc.
- Proceeded with preparations for shift to new structure with Mercian
- Began considerations toward moving to next stage with San Miguel Corporation
- Strengthened operations in China (completion of plant at Kirin Brewery (Zhuhai), new beer product also doing well)
- Domestic sales increased substantially (up 5%) at Kirin Beverage, driven by core brands
- Obtained approval for NESP in pharmaceuticals business
- Carried out asset liquidation (investment securities and real estates, insurance reserve asset, etc.)
- Increased dividend ⇒2007 H1: ¥9 (Interim dividends: 2003: ¥6 → 2004: ¥6.5 → 2005: ¥7 → 2006: ¥8)

## 2007 full-year plan

- ◆ Consolidated sales: ¥1830 bn (up 9.8%)  
Revised in line with revisions to domestic alcohol and soft drinks sales forecasts
- ◆ Consolidated operating income: ¥117.0 bn (up 0.6%)  
Maintain similar levels to previous year, with soft drinks, pharmaceuticals and overseas alcohol beverages businesses compensating for lower income in domestic alcohol business resulting from higher raw materials costs, etc., despite streamlining of marketing costs

- New start on shift to holding company structure in July
- Pursue comprehensive beverage group strategy (specific collaboration among 6 divisions in sales, production, product development, etc.)
- In pharmaceuticals, increase market share for NESP by initiatives to encourage its early adoption through emphasizing its value and merits
- Continue considerations for bolstering strategic partnership with San Miguel Corporation
- In seasonings business, achieve full operation of new Indonesian plant
- Continue to strengthen balance sheet management
- Strengthen shareholder returns Planned 2007 dividend ¥18, planned consolidated dividend payout ratio 30.7% (Annual dividends: 2003: ¥12 → 2004: ¥13.5 → 2005: ¥14.5 → 2006: ¥17)

# 2007 H1 results overview

### Consolidated

Lower income due to declined income at parent company. Soft drinks and overseas alcohol businesses performed well

(billion yen)	2007 H1 results	2006 H1 results	Change %	Change in yen	2007 initial forecasts	Achievement rate
Sales	836.0	782.7	+6.8%	53.3	859.0	(2.7%)
Operating income	42.8	44.9	(4.7%)	(2.1)	38.0	+12.6%
Ordinary income	45.6	47.1	(3.1%)	(1.5)	37.0	+23.2%
Net income	16.7	18.9	(11.5%)	(2.2)	10.0	+67.0%

\*Achievement rate is compared to initial forecasts

### Non-consolidated

Lower income in domestic alcohol business resulting from higher raw materials costs, etc., despite streamlining of marketing costs

(billion yen)	2007 H1 results	2006 H1 results	Change %	Change in yen	2007 initial forecasts	Achievement rate
Sales	425.6	438.2	(2.9%)	(12.6)	447.0	(4.8%)
Operating income	14.8	17.9	(17.1%)	(3.1)	11.0	+34.5%
Ordinary income	32.4	38.6	(16.1%)	(6.2)	29.0	+11.7%
Net income	22.2	26.7	(16.7%)	(4.5)	19.0	+16.8%

\*Achievement rate is compared to initial forecasts

# 2007 H1: Alcohol beverages segment review

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## Alcohol beverages

Consolidated; Yen billion	07 results	06 results	% change	¥ change
Sales	531.4	496.7	+7.0%	+34.7
Operating income	31.8	33.2	(4.2%)	(1.4)

Operating income is stated prior to all company/eliminations

### Domestic

#### ◆ Beer + Hoppo-shu + New genre volume sales declined (-2.7%) , But up 7.7% on 05 H1

**Industry:** Despite nearly 20 new product launches market declined by 1.9% from 06 H1 and by 0.9% from 05 H1, first decline in two years

**Kirin:** Increased share in beer through launch of new product *Kirin the Gold*

In Hoppo-shu increased sales of *Tanrei Green Label* and *Tanrei Alpha*

In new genre strong launch of *Ryoshitsu Sozai* in May added to success of *Nodogoshi Nama*

• Beer + Hoppo-shu + New genre marginal profit down ¥3.5 bn compared to 2006 H1. Domestic alcohol beverages promotion and advertising expenses declined by ¥3.8 billion

• Sales of shochu, spirits and wine ¥16.2bn, ¥0.1bn lower than 2006 H1

#### ◆ Rise in raw material prices above expectation, ¥3.0bn higher on 06 H1

• Large impact from rise in prices of aluminum, cartons, barley, corn, etc. (can & cartons 1.4bn higher, barley 0.6bn higher)

• Imported raw materials also affected by weaker yen

#### ◆ Built sales links with Mercian ahead of July business transfer

• Strong results from storefront wine sales initiative in Tokyo Met. area, started in April by Kirin Merchandising (former KCS)

#### ◆ Renewal of production facilities

• Completed works to increase *Nodogoshi Nama* production capacity and reduce transportation cost in line with mid-term plan

• Commenced renewal of Shiga plant to multi-product lines, completion expected in 2010

### Overseas

#### ◆ Continued strong performance from Lion Nathan

For details see page 31

• Strong Australian beer business led to sales up ¥11.3 bn, Op. profit +¥2.2bn (after consol. adjustments/ brand amortization)

#### ◆ Strengthened strategic partnership with San Miguel

For details see page 33

• Strong performance led by domestic beer business; Sales up, profits down (06/10-07/3 consolidated by Kirin)

• Considered strengthened strategic partnership in beer business

\*July San Miguel shareholders' meeting approved separation of beer and packaging businesses and entry into new businesses

#### ◆ Regional focus on China, promoting business in Yangtze delta

• Strong start for *Chin Qilin*, first new premium beer launch for 4 years in Shanghai area

(Production started at Kirin Zhuhai following new investment)

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# 2007 H1: Soft drinks segment review

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## Soft drinks

Consolidated; Yen billion	07 results	06 results	% change	¥ change
Sales	192.2	181.0	+6.2%	+11.2
Operating income	5.5	5.3	+3.8%	+0.2

Operating income is stated prior to all company/eliminations

### Domestic

#### Kirin Beverage

#### ◆ Domestic soft drink volumes outperformed the industry, +5% on 2006 H1 (total market +4%), still short of the initial target

• Promotion of Total Marketing resulted in strong sales growth of key brands, +9% on 2006 H1

• Proposed high value added, premium brands on the themes of 'preferred taste and health/functionality'

#### ◆ Full start-up of group collaboration to strengthen sales base

• Team Kirin offer menu development proposals to restaurants, etc., and provide proposals on siting of vending machines

• Agreed mutual sales and siting of vending machines with Yakult Honsha

#### ◆ Renewal of production base

• Start up of preform equipment at Shonan Plant, started shift in house to reduce packaging and processing costs

• Started installation of new production line for Alkali-Ion-no-Mizu at Gotemba distillery (production planned from Spring 08)

### Overseas

#### Kirin Beverage

#### ◆ Overseas soft drinks: Launched high value added, select products in Chinese market

• Huge hit in the three key Chinese regions (Shanghai, Guangzhou, Beijing) with March 07 launch of *Gogono-Kocha Milk Tea* in 500 ml PET bottles produced on aseptic production and packaging line

#### CCNNE

• Continued favorable performance

\*CCNNE: Production and sales of Coca-Cola drinks in New England, U.S.

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## 2007 H1: Pharmaceuticals segment review

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### Pharmaceuticals

Consolidated; Yen billion	07 results	06 results	% change	¥ change
Sales	31.4	31.2	+0.7%	+0.2
Operating income	4.8	4.9	(1.8%)	(0.1)

Operating income is stated prior to all company/eliminations

### Domestic

- ◆ **Non-consolidated sales and operating income both down slightly, impacted by the April 2006 NHI price revisions and the flat-sum reimbursement on EPO**
  - EPO market in 2007 H1 declined from last year due to flat-sum reimbursement, but we increased our market share through marketing synergies on the launch of NESP®, etc. (However, EPO sales down slightly: (2.8%))
- ◆ **Obtained approval for new anemia medicine NESP® ⇒ Prepared to bring to market**
  - Following approval, began promotion at dialysis facilities in preparation for early launch of long-acting erythropoiesis stimulating agent NESP®
- ◆ **Forged new alliances as means to begin development projects for new development candidates**
  - Entered into a worldwide joint development and marketing agreement with Astellas for the CD40 antagonist antibody

### Overseas

- ◆ **Steady expansion at Asian subsidiaries**
  - South Korea and China were drivers (6 Asian subsidiaries up 22%)
  - Launch products in ASEAN region (Thailand, Singapore\*, Malaysia\*) \*Markets newly entered in 2007
- ◆ **Started clinical trials of KRN330, a fully human monoclonal antibody**
  - KRN 330, an antibody medicine targeting solid tumors, began Phase I in the United States at Kirin Pharma USA

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## 2007 H1: Other businesses segment review

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### Other

Consolidated; Yen billion	07 results	06 results	% change	¥ change
Sales	80.8	73.6	+9.8%	+7.2
Operating income	1.7	2.1	(15.0%)	(0.4)

Operating income is stated prior to all company/eliminations

- ◆ **New consolidation of Mercian's feed business and others**
- ◆ **Kirin Yakult NextStage impacted by growing competition for its core *Lieta* product range**
- ◆ **Takeda-Kirin Foods became wholly owned subsidiary in April.**  
Renamed Kirin Food-Tech

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## Main reasons for revision

- Change in market conditions led to review of domestic alcohol and soft drink sales volumes, resulting in lower top line growth
- Raw material price rises leading to cost increases

(¥ billion)	Revised full year forecast	2006 results	Change %	Change yen	2007 initial plan	Difference with initial plan
Sales	1,830.0	1,665.9	+9.8%	+164.1	1,880.0	(50.0)
Operating income	117.0	116.3	+0.6%	+0.7	121.0	(4.0)
Ordinary income	116.0	120.8	(4.0%)	(4.8)	121.0	(5.0)
Net income	56.0	53.5	+4.6%	+2.5	55.0	+1.0



## Key issues to be addressed

- Develop marketing strategy to reflect change in domestic market environment for alcohol, soft drinks
- Cost control focused on sales promotion and advertising expenses
- Pursue strategic tie-up with San Miguel
- Grow Pharma sales based on NESP launch

~Harness Group strengths to achieve steady growth in the first year of KV2015 Stage I~

# Alcohol beverages segment: Key issues for 2007 H2

Domestic

### ◆ Promoting value-driven approach to sales and marketing

• In volume sales and commercial sales market harness research strength to create attractive sales space and dining and drinking experience

### ◆ Develop product strategy to reflect market changes

#### Beer, Happo-shu, New genre

• In beer, further strengthen *Kirin the Gold* brand, establish *Nippon Premium* in the expanding premium segment, along with launch of *Ichiban Shibori Stout* enhance *Ichiban Shibori* brand through food links

• In happo-shu and new genre, firmly position *Ryoshitsu Sozai* alongside core brands *Tanrei*, *Tanrei Green Label* and *Nodogoshi Nama*. *New product in new genre is scheduled to be launched*

#### RTDs, spirits, shochu and wine

• In RTDs, strengthen *Hyoketsu* brand through product and advertising renewal and develop a new offering along with launch of authentic cocktail *Sparkle*

• In shochu develop approach to expand sales around the *Hakusui* brand transferred from Mercian

### ◆ Minimize effects of cost pressures

### ◆ Marketing and advertising expenses

• Seek cost efficiencies. Marketing/ advertising expenses for the year 2007 is expected to increase by ¥0.8 bn compared to 2006, which is to save ¥1.9 bn compared to initial 2007 forecast

### ◆ Establish framework for active development of alliance with Mercian

• Aim to capture No. 1 position with Mercian Wine, implement sales support activities

• On mutual transfer of businesses with Mercian expand wine merchandising nationwide, start tie ups in production, distribution and research and aim to reduce distribution and procurement costs

### ◆ Lion Nathan

• Continuing shift of beer business to premium, consider similar in wine

• Prepare for further business expansion from 2008, e.g. announced sale of plant in Auckland, NZ in July, also plan to shift to the new production facility in 2011

### ◆ San Miguel

• Pursue discussions to strengthen a strategic partnership

### ◆ Develop business in focused areas in China

• Construction of new Pearl River Delta plant proceeding well; Commence shipments and plan to launch popular Kirin brand beer in cans

Overseas

# Alcohol beverages segment: 2007 sales outlook (revised)

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## Industry

\*2006 figures on a taxed volume basis, 2007 forecast on a sales volume basis

	2006 full year results		2007 full year forecast (mid-term revision)			2007 full year forecast (initial)	
Beer+ happo-shu+ newgenre	▲1%approx.		▲1%approx			▲1%approx	
Beer	▲2%approx.		▲0%approx			▲2%approx	
Happo-shu	▲10%approx.		▲4%approx			▲4%approx	
New genre	+22%approx.		+2%approx			+6%approx	
RTD total	+1%approx.		▲6%approx			+2%approx	

## Kirin

**Beer + happo-shu + new genre: reduced forecast from 2.5 millionKL⇒2.4 millionKL**  
**RTD\*1:**  
**Reduced from 236,000KL⇒195,000KL**  
**Spirits, shochu, wine: Sales target raised from ¥36bn⇒¥43bn**

\*1: RTD outlook for 2007 includes brands transferred from Mercian  
 \*2: Sales forecast for Ryoshitsu Sozai was included in that for Nodogoshi when announced in the beginning of 2007

\*Beer, happo-shu and new genre: 1 case = 12.66L (633ml × 20 bottles);

\*Chu-hi: 1 case = 6L (250ml × 24 cans)

Domestic sales	2006 full year results		2007 full year forecast (mid-term revision)			2007 full year forecast (initial)	
	10,000KL	10,000 cases	10,000KL	10,000 cases	YonY change	10,000KL	10,000 cases
Beer+ happo-shu+ new genre	236.9	18,710	240.0	18,960	+1.3%	250.0	19,750
Beer	100.9	7,970	102.5	8,100	+1.6%	105.6	8,340
Happo-shu	86.7	6,850	83.2	6,570	▲4.1%	89.8	7,090
New genre	49.3	3,890	54.3	4,290	+10.3%	54.6	4,310
RTD total	22.5	3,750	19.5	3,250	▲13.3%	23.6	3,930
Lager total	44.2	3,500	39.3	3,110	▲11.1%	36.6	2,890
Lager	35.6	2,810	31.9	2,520	▲10.3%	30.0	2,370
Classic lager	8.7	690	7.5	590	▲14.5%	6.6	520
Ichiban shibori	50.9	4,020	48.9	3,870	▲3.7%	51.3	4,050
Ichiban shibori	49.5	3,910	47.5	3,750	▲4.1%	48.7	3,840
Kirin the Gold	-	-	7.6	600	-	10.0	800
Tanrei total	73.1	5,770	73.2	5,780	+0.2%	75.6	5,970
Tanrei nama	47.3	3,740	45.6	3,600	▲3.7%	48.6	3,840
Tanrei Green Label	22.7	1,800	24.5	1,940	+7.8%	24.0	1,900
Tanrei Alpha	3.0	240	3.1	240	+0.0%	3.0	240
Enjuku brand total	11.3	900	8.7	690	▲23.3%	13.0	1,030
Nodogoshi nama	49.3	3,890	47.0	3,710	▲4.6%	54.6	4,310
Ryoshitsu Sozai	-	-	7.3	580	-	10.0	800
Hyoketsu total	22.1	3,680	16.4	2,730	▲25.8%	20.0	3,330

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# Soft drinks segment: Key issues for 2007 H2

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## Domestic

### Kirin Beverage

#### ◆ Pursuing and enhancing Total Marketing

- Revitalize brands by renewing core products
- Development and timely introduction of sales promotion measures as drivers of Products x Sales
- Broaden sales base and coverage through an area marketing strategy closely matched to regional characteristics

#### ◆ Promote comprehensive beverages group strategy – Expand and deepen regionally focused Team Kirin activities

- Strengthen joint activities aimed at cultivating the commercial use market and securing placement of vending machines at corporate customers
- Strengthen links with Kirin Merchandising and create better selling opportunities nationwide through Group collaboration

## Overseas

### Kirin Beverage

#### ◆ Expand and advance the Kirin brand in overseas soft drinks markets

- Accelerate further share expansion of *Gogono-Kocha Milk Tea* 500ml PET, a strong seller in Shanghai, Guangzhou and Beijing in China, and strengthen *Gogono-Kocha* brand by enhancing leverage of synergies with existing items

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# Soft drinks segment: 2007 sales outlook (revised)

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## Industry

\*Sales volume basis

Category	2006	2007 forecast	Topics
Green tea total	95%	97%	Strong green tea product wars have abated, market peaking.
Oolong tea total	95%	106%	Market boosted by Kuro Oolong.
Blended and other teas total	106%	112%	Multiple product launches by all companies in H1 led to big increase but no big hit products.
Black tea total	108%	103%	Driven by Gogono-Kocha. Another strong year.
Coffee total	99%	100%	Depends on Autumn sales season but likely to be broadly in line with last year.
Juice total	100%	105%	Expected to exceed 2006 due to strength in 100% juice products.
Carbonated total	96%	104%	Expected to exceed 2006 by the proactive and frequent launch of new products by companies.
Sports drinks/Functional total	94%	100%	Trend for market to concentrate around mainstream products.
MW total	117%	120%	Both domestic and imported water 120% forecast, still on expanding trend
Vegetable total	110%	110%	Last year's double digit growth continuing this year.
Cold drinks total	99%	104%	Strong trend in H1 likely to be sustained.

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Cold drinks total			Fiscal 2006 actual		Fiscal 2007 forecast			Ref.	
			Sales volume	% of total	Sales volume	% of total	YonY change	YonY % change	Initial forecast
Category	Tea drinks	Japanese tea	3,389	18%	3,300	16%	△ 89	97%	3,600
		Oolong	396	2%	450	1%	54	114%	300
		Tea	3,744	20%	3,900	19%	156	104%	3,900
		Total	7,529	40%	7,650	36%	121	102%	7,800
	Functional/Health drinks	932	5%	1,000	5%	68	107%	1,600	
	Coffee drinks	3,322	17%	3,550	17%	228	107%	3,550	
	Fruit/Vegetable juice drinks	2,469	13%	2,600	13%	131	105%	2,550	
	Carbonated drinks	671	3%	800	4%	129	119%	700	
	Other	3,795	20%	4,640	22%	845	122%	4,520	
	Domestic market cold drinks		18,718	98%	20,240	97%	1,522	108%	20,720
Overseas market	Overseas market cold drinks	473	2%	660	3%	187	140%	680	
TOTAL		19,191	100%	20,900	100%	1,709	109%	21,400	

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# Pharmaceuticals and Other businesses segments: Key issues for 2007 H2

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## Pharmaceuticals

### Domestic

- ◆ Enhance renal lineup to become highest-rated among customers in this area
  - Bring NESP® (KRN321) to market
    - ⇒ Encourage early adoption by emphasizing product features and merits in stiffer market competition
    - Increase market share
  - Make preparations for obtaining approval for KRN1493
- ◆ Form alliances as a means of making new technological developments
  - Joint R&D and new business feasibility studies through alliance with Terumo

### Overseas

- ◆ Expanding business in East Asia/ASEAN
  - ASEAN...Increase share in markets entered for first time in 2007 H1 and start sales in new markets (Philippines) in H2
  - China, South Korea, Taiwan...Secure sales and income increases
- ◆ Strengthening clinical development in North America
  - Proceed with development of KRN330
  - Move to the next stage with new antibody drugs

### Other

- ◆ Kirin Yakult NextStage
  - Increase share by launching new products and strengthening in-store marketing. Target higher sales by stepping up initiatives using *Yakult Lady* door-to-door sales channels.
- ◆ Kirin Food-Tech
  - Achieve full operation of new plant of Kirin Miwon Foods, a seasonings manufacturing joint venture in Indonesia with South Korean company Daesang
  - Develop sales and logistics structure to strengthen overseas businesses
- ◆ In agrifbio, concentrate resources in seeds business for floriculture, potatoes and other plant-related areas, and in cultivation business

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As of end July 2007

\*Items updated since Feb. 2007

Product code	Anticipated indications	Stage	Comments
NESP (KRN 321)	Renal anemia (dialysis)	<b>*Launched (July 9)</b>	The new generation ESA ( <i>*Erythropoiesis Stimulating Agent</i> ), Darbepoetin Alfa
KRN 1493	Secondary hyperparathyroidism	Submitted	Acts on calcium receptor of hyperparathyroid, inhibits hormone secretions from thyroid gland, Cinacalcet hydrochloride
KRN 321	Renal anemia (pre-dialysis)	Phase III	Darbepoetin Alfa The new generation ESA
KRN 321	Cancer anemia	Phase III	Darbepoetin Alfa Treatment for anemia induced by chemotherapy
KRN 125	Neutropenia	Phase II	Pegfilgrastim The new generation G-CSF
KRN 654	Thrombocytosis	Phase VII	Anagrelide hydrochloride
(DC Therapy)	Cell medicine	Phase VII (U.S. and Canada)	Clinical trials underway Targeting kidney cell cancer
Trail-R2 Human antibody	Antibody medicine targeting tumor	Phase I (Canada)	Fully human monoclonal antibody targeting solid tumors
KRN 330	Antibody medicine targeting tumor	<b>*Phase I (U.S.)</b>	Fully human monoclonal antibody targeting solid tumors

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## Pharmaceuticals pipeline topics

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### Later phase projects proceeding smoothly / Antibody R&D also going well

#### NESP injection syringe (KRN321)

received approval ⇒ launched

- June 8 NHI price listings ⇒ July 9 launch (indications: renal anemia in persons undergoing dialysis)
- Initiatives to encourage its adoption in one month since launch proceeding smoothly
- Make proposals for operational improvements through reduction in dialysis frequency, and reduction in errors and accidents during administration

#### KRN 330

non-clinical trials ⇒ phase I (U.S.)

- Fully monoclonal human antibody developed in-house (targeting solid tumors)
- First Kirin Group in-house product being developed by Kirin Pharma USA (wholly owned subsidiary of Kirin Pharma. Name changed in July 2007 from Gemini Science)

#### Antibody drugs

- Good progress is being made with a number of products either in non-clinical trials or preparing to enter such

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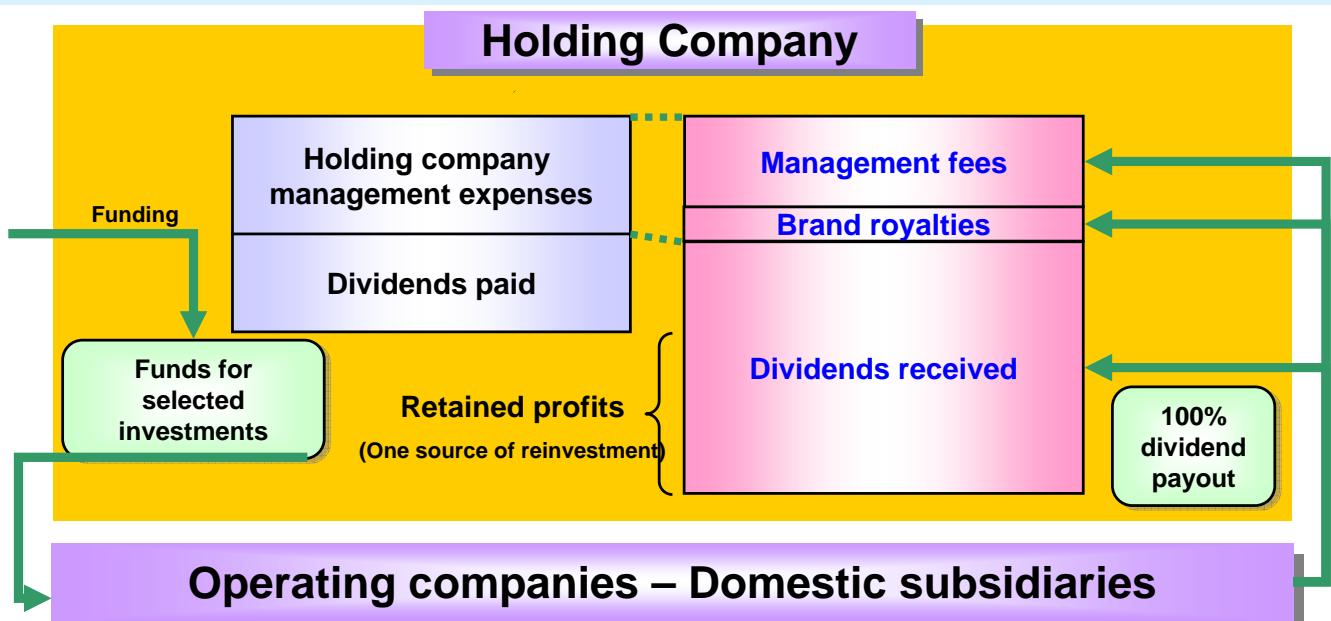
2007 interim results overview  
 2007 full-year forecasts  
 【Consolidated and non-consolidated】

Holding company: revenue structure and capital flows



Holding company income is based on **dividends, management fees and brand royalties** from operating companies. The operating companies provide 100% of their dividends to the holding company, which pools the funds procured for investing in each company and makes investment decisions to redistribute the capital for the optimal benefit of the Group as a whole.

Operating costs of the holding company will be covered by **management fees and royalties**, clarifying the use of capital funds



Basic policy

Concomitant with the shift to a holding company structure, disclosure will focus on consolidated performance and business segments

◆Non-consolidated: Due to shifting to a holding company structure in July, forecasts for the parent company will not be disclosed, starting from the second half of the year.

◆Consolidated: The impact of changes to the accounting method for Group HQ expenses on results by consolidated business segment will, for 2007 H2 and 2008 H1, increase operating income mainly in alcohol beverages and decrease Eliminations or Corporate

→ Jan-June 2007, prior to shift to holding company:

Group HQ expenses for the Kirin parent company were distributed by segment (mainly alcohol beverages and pharmaceuticals) in accordance with their respective sales levels.

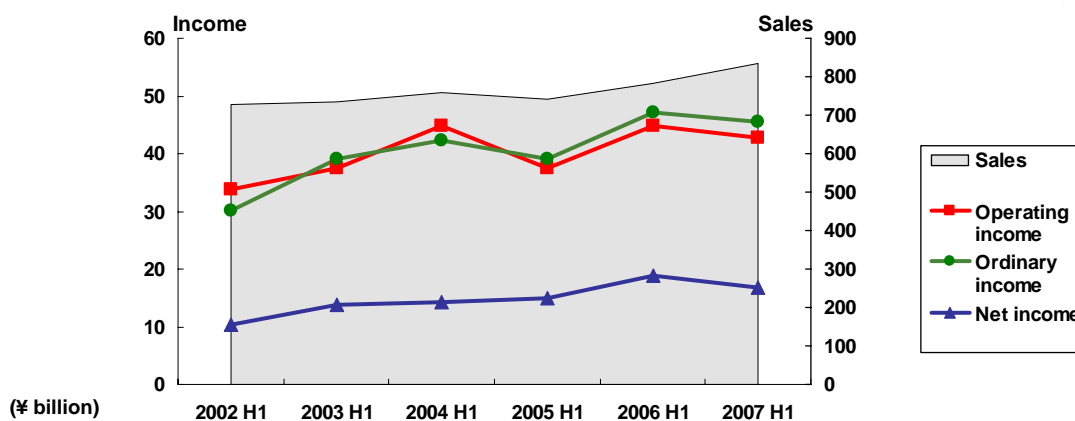
→ After July 2007, on shift to holding company:

Excluding real estate operations, Kirin Holdings HQ expenses will be recorded under Eliminations or Corporate

Kirin Logistics, Kirin Engineering, etc. become companies (subsidiaries) of the new Kirin Brewery, thus shifting from Others to the Alcohol Beverages segment  
⇒Change effective from current H1 results (recorded in Others in initial forecasts)

Performance trends (H1 results)

Consolidated



	2002 H1	2003 H1	2004 H1	2005 H1	2006 H1	2007 H1
Sales	727.8	732.8	759.4	740.2	782.7	836.0
Operating income	33.7	37.5	44.8	37.5	44.9	42.8
Ordinary income	30.2	39.0	42.4	39.0	47.1	45.6
Net income	10.3	13.9	14.2	14.9	18.9	16.7

Non-consolidated

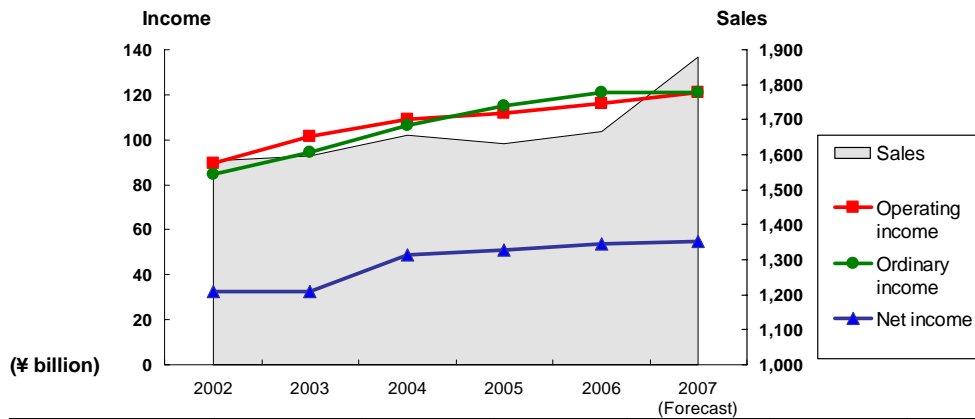
	2002 H1	2003 H1	2004 H1	2005 H1	2006 H1	2007 H1
Sales	459.4	432.3	427.7	410.8	438.2	425.6
(sales excluding liquor tax)	256.1	239.9	235.1	234.8	256.4	248.4
Operating income	12.9	18.3	18.2	13.5	17.9	14.8
Ordinary income	19.2	30.8	29.6	24.5	38.6	32.4
Net income	10.8	18.4	18.0	15.9	26.7	22.2

# Performance trends (full-year forecasts)

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## Consolidated



	2002	2003	2004	2005	2006	2007 forecast
Sales	1,583.2	1,597.5	1,654.8	1,632.2	1,665.9	1,830.0
Operating income	89.7	101.5	109.3	111.7	116.3	117.0
Ordinary income	84.4	94.6	106.5	114.8	120.8	1,160
Net income	32.5	32.3	49.0	51.2	53.5	56.0
EBITDA	157.7	165.4	193.5	188.4	191.1	—

EBITDA: Earnings before interest payments, taxes, depreciation and amortization

## Non-consolidated

	2002	2003	2004	2005	2006
Sales	999.9	961.8	956.9	935.6	960.7
(sales excluding alcohol tax)	553.9	530.2	526.1	538.1	560.2
Operating income	44.0	55.9	52.9	58.1	59.9
Ordinary income	53.8	71.9	66.7	72.5	88.1
Net income	26.3	34.8	40.4	43.8	54.6

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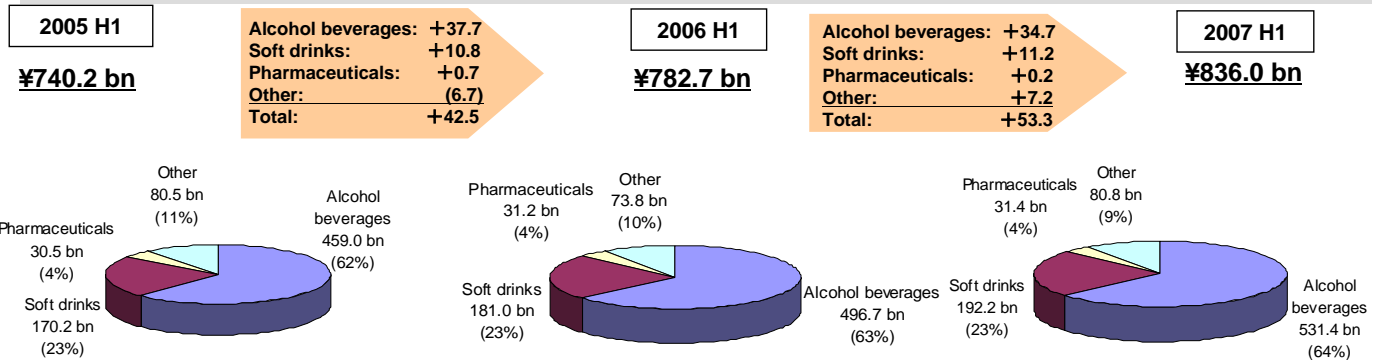
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# Consolidated H1 sales and operating income by segment

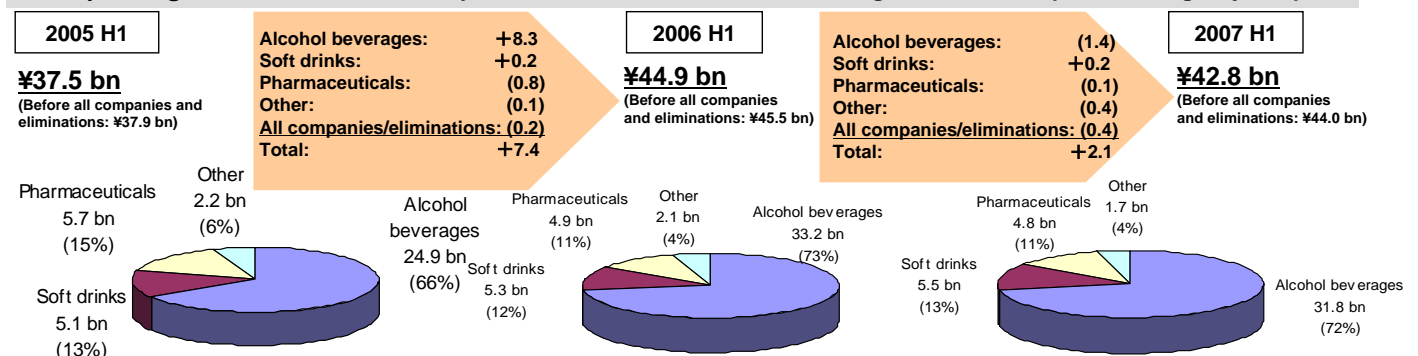
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■ Sales - Lull in sales volume growth in domestic alcohol and domestic soft drinks due to changes in market environment. Improving on previous year, but lower than initial forecasts.



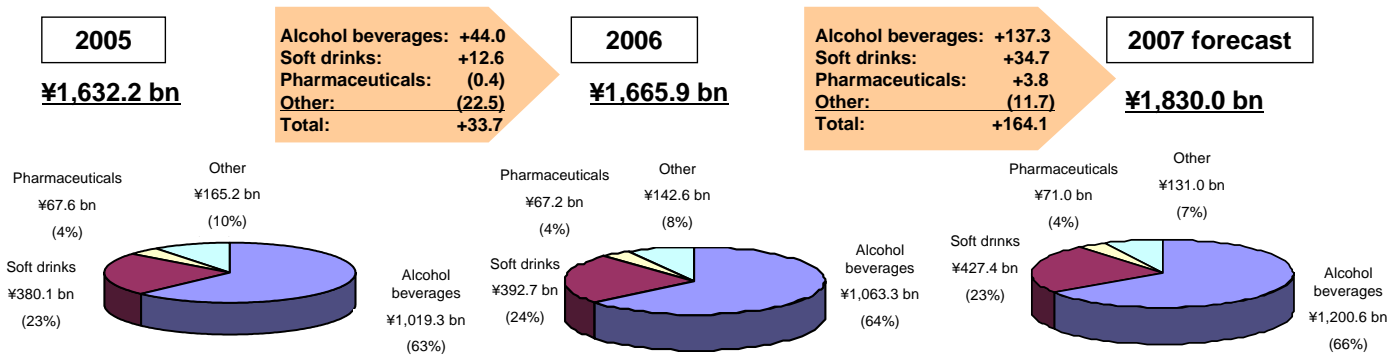
■ Operating income - Lower than last year in domestic alcohol and others. High raw materials prices having major impact.



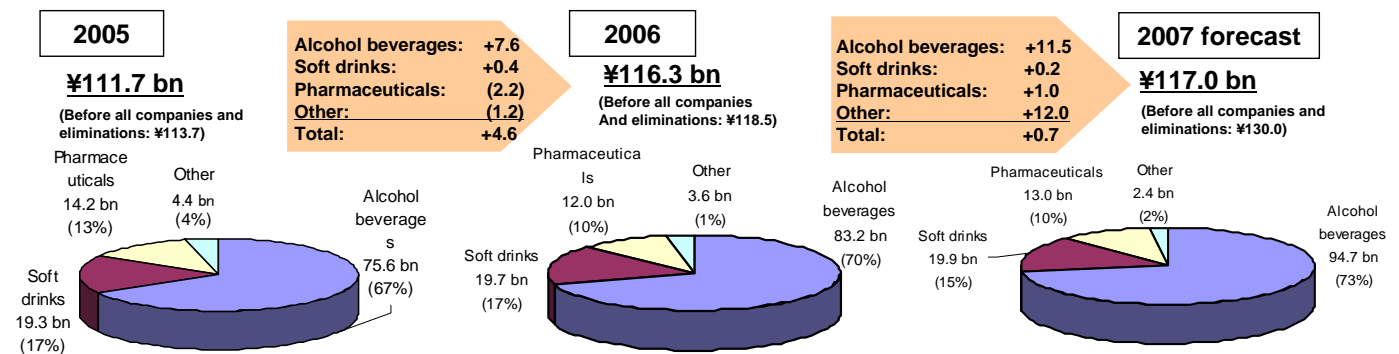
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■ Sales - Further growth expected in alcohol beverage and soft drinks businesses. Mercian consolidated from 2007



■ Operating income – Increased income expected, driven by alcohol beverages. Targeting record income.



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Alcohol beverages business consolidated results and forecasts

(billion yen)	Interim			Full-year			
	2007	Change	2006	2007 forecasts	Change	2006	2007 initial forecasts
Consolidated sales	531.4	34.7	496.7	1,200.6	137.3	1,063.3	1,203.9
Consolidated operating income	31.8	(1.4)	33.2	94.7	11.5	83.2	92.9
Kirin Brewery domestic alcohol beverages sales	390.0	(12.9)	402.9	896.0	10.9	885.1	938.0
Lion Nathan sales	96.7	11.3	85.4	180.8	20.6	160.2	
Lion Nathan operating income	18.8	2.2	16.6	32.8	4.0	28.8	

As Lion Nathan does not disclose results forecasts, figures for fiscal 2006 have been converted into yen at a rate of AU\$1 to ¥98.0 and displayed as forecasts.

2007 H1 results (compared to 2006 H1)

- Main factors increasing income
  - Lion Nathan:** Higher operating income: ¥2.2 bn
  - Kirin Brewery:** Lower sales expenses: ¥4.2 bn (Lower promotion expenses: ¥4.0 bn, lower advertising expense: ¥0.3bn, higher transportation expense: ¥0.1 bn)
- Main factors decreasing income
  - Kirin Brewery:** Lower marginal profit from alcohol beverages: ¥3.5 bn (Lower sales volumes of happo-shu: ¥2.3 bn, lower sales volumes of RTDs: ¥1.8 bn, etc.) Higher alcohol raw material prices: ¥3.0 bn (Higher can and carton prices: ¥1.4 bn, higher barley prices: ¥0.6 bn)
  - Mercian:** ¥0.7 bn (as result of new consolidation)
  - Other factors in the segment:** ¥0.6 bn

2007 full-year forecasts (compared to 2006)

- Main factors increasing income
  - Kirin Brewery:** Higher marginal profit from alcohol beverages: ¥6.0 bn (Higher beer sales volumes: ¥1.4 bn, lower happo-shu sales volumes: ¥3.3 bn, higher new genre sales volumes: ¥5.6 bn, lower RTD sales volumes: ¥2.9 bn, higher marginal profit from whisky and spirits: ¥3.4 bn, etc.)
  - Lion Nathan:** Higher OP due to change in forecast exchange rate: ¥4.0 bn
  - Organizational change:** ¥11.9 bn (Transfer from other businesses segment: ¥2.5 bn, lower HQ management expenses: 9.4 bn)
  - Other factors in the segment:** ¥2.1 bn
- Main factors decreasing income
  - Kirin Brewery:** Higher alcohol raw material prices: ¥8.0 bn (Higher can and carton prices: ¥3.5 bn, higher barley prices: ¥2.8 bn) Higher sales expenses: ¥1.1 bn (higher promotion and advertising expense: ¥0.8 bn, higher transportation expense: ¥0.3 bn, etc.) Increase in other expenses: ¥4.2 bn (Higher fuel expenses: ¥0.9 bn, higher repair expenses: ¥0.9 bn, higher depreciation expenses: ¥0.4 bn, other)

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# Soft drinks business consolidated results and forecasts

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(billion yen)	Interim			Full-year			
	2007	Change	2006	2007 forecasts	Change	2006	2007 initial forecasts
Consolidated sales	192.2	11.2	181.0	427.4	34.7	392.7	434.5
Consolidated operating income	5.5	0.2	5.3	19.9	0.2	19.7	21.2

## 2007 H1 (compared to 2006 H1)

### ● Main factors increasing income

#### Kirin Beverage:

Sales volume growth: ¥5.0 bn (sales increased by 5,336,000 cases)  
 Cost reductions: ¥0.6 bn (higher in-house production efficiency, lower depreciation expense)

### ● Main factors decreasing income

#### Kirin Beverage:

Higher raw material prices: ¥0.8 bn  
 Difference in container composition: ¥0.7 bn  
 Higher sales expense: ¥2.5 bn (promotion and advertising expense: ¥1.8 bn, higher transportation expense in line with sales volume increase: ¥0.7 bn)

Goodwill amortization on acquisition of Kirin Beverage shares: ¥1.0 bn

Other factors in the segment: ¥0.4 bn

## 2007 full-year (compared to 2006)

### ● Main factors increasing income

#### Kirin Beverage:

Sales volume growth: ¥18.6 bn (sales increase by 17,088,000 cases)  
 Cost reductions: ¥1.2 bn (higher in-house production efficiency, lower depreciation expense)

### ● Main factors decreasing income

#### Kirin Beverage:

Higher raw material prices: ¥2.0 bn  
 Difference in container composition: ¥2.6 bn  
 Higher sales expense: ¥9.5 bn (promotion and advertising expense: ¥7.4bn, higher transportation expense in line with sales volume increase: ¥2.1 bn)

Other SG&A expense: ¥3.9 bn (higher depreciation and higher sales equipment expense in line with increased vending machine operations: ¥1.3 bn, personnel expenses: ¥0.7 bn, outsourcing expense: ¥0.5 bn)

Goodwill amortization on acquisition of Kirin Beverage shares: ¥1.0 bn

Other factors in the segment: ¥0.6 bn

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# Pharmaceuticals business consolidated results and forecasts

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(billion yen)	Interim			Full-year			
	2007	Change	2006	2007 forecasts	Change	2006	2007 initial forecasts
Consolidated sales	31.4	0.2	31.2	71	3.8	67.2	70
Non-consolidated sales	28.5	(0.2)	28.7	65	3.2	61.8	64
Consolidated operating income	4.8	(0.1)	4.9	13	1.0	12.0	13
R&D expense	8.6	(0.9)	9.5	19	0.8	18.2	19
ESPO, NESP sales (non-consolidated)	18.4	(0.5)	18.9	44	4.0	40.0	44
GRAN sales (non-consolidated)	6.7	(0.4)	7.1	15	(0.7)	15.7	15
Other product sales, etc. (non-consolidated)	3.4	0.7	2.7	6	(0.1)	6.1	5

## 2007 H1 (compared to 2006 H1)

### ● Main factors increasing income

• Higher operating income at overseas subsidiaries: ¥0.3 bn  
 • Lower R&D expense: ¥0.9 bn

### ● Main factors decreasing income

• Decreased marginal profits due to flat-sum reimbursement for EPO and NHI price revisions: ¥0.4 bn  
 • Higher operating and other expenses: ¥0.9 bn

## 2007 full-year (compared to 2006)

### ● Main factors increasing income

• Higher marginal profit due to higher product sales: ¥2.5 bn  
 • Increased operating income at overseas subsidiaries: ¥0.5 bn  
 • Lower HQ management expenses from organizational change: ¥0.6 bn

### ● Main factors decreasing income

• Higher R&D expense: ¥0.8 bn  
 • Higher operating and other expenses: ¥1.8 bn

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## Changes in 2007 H1 consolidated ordinary and net income

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<b>Ordinary income</b>	Non-operating income (loss)	0.6	
		(1.9)	Financial expenses
		2.1	Equity in earning of affiliates (San Miguel: 2.3, etc.)
		0.4	Other non-operating income
	<b>Change</b>	<b>(1.5)</b>	<b>2006 H1: 47.1 → 2007 H1: 45.6</b>
<b>Net income</b>	Special income (loss)	(4.5)	
		(0.9)	Gain on sale of investment securities (1.2 → 0.3)
		(0.8)	Loss on disposal of fixed assets (-0.9 → -1.7)
		(1.7)	Loss on sale of investment in affiliated companies
		(1.0)	Overdue income tax payment for prior years at Lion Nathan
		(0.1)	Other special loss
	Income tax, minority interests	3.8	
		0.0	Minority interests
		1.9	Income taxes
		1.9	Income taxes for prior years at Lion Nathan
<b>Change</b>	<b>(2.2)</b>	<b>2006 H1: 18.9 → 2007 H1: 16.7</b>	

Note: For Lion Nathan's results, part of operating income (loss) was reallocated as special income (loss). The above figures reflect that change.

Exchange rates used for earnings at main overseas entities	2006 H1	2007 H1
Lion Nathan (Australian dollar)	¥86.57	¥93.10
San Miguel (Philippine peso)	¥2.24	¥2.44

### Additional information:

#### (1) Equity in earnings of affiliates:

San Miguel...Results for 2007 H1 are based on figures for Oct. 2006 to Mar. 2007  
Results for 2006 H1 are based on figures for Jan. to June 2006

Kinki Coca-Cola...Excluded from equity-method company scope from 2006 H2

#### (2) Loss on sale of affiliated companies: Yonekyu Corp., etc.

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## Changes in 2007 forecast consolidated ordinary and net income

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<b>Ordinary income</b>	Non-operating income (loss)	(5.5)	
		(2.2)	Financial expenses (-3.1 → -5.3)
		(2.8)	Equity in earnings of affiliates (higher R&D expenses at Kirin Amgen, etc.)
		(0.5)	Other non-operating expenses
	<b>Change</b>	<b>(4.8)</b>	<b>2006: 120.8 → 2007 forecast: 116.0</b>
<b>Net income</b>	Special income (loss)	10.3	
		2.1	Absence of retirement benefit system impact from last year
		8.2	Other (decreased impairment losses from last year, other)
	Income tax, minority interests	(3.0)	
		(0.2)	Minority interests (-7.1 → -7.3)
		(2.8)	Income taxes
<b>Change</b>	<b>2.5</b>	<b>2006: 53.5 → 2007 forecast: 56.0</b>	

Note: For Lion Nathan's results, part of operating income (loss) was reallocated as special income (loss). The above figures reflect that change.

Exchange rates used for earnings at main overseas entities	2006	2007E
Lion Nathan (Australian dollar)	¥86.83	¥98.00
San Miguel (Philippine peso)	¥2.27	¥2.50

### Additional information:

#### (1) Equity in earnings of affiliates: Higher expenses at Kirin Amgen, etc.

San Miguel...Calculated by simply reflecting exchange rate forecasts on 2006 results

Kinki Coca-Cola...Excluded from equity-method company scope since 2006 H2

Yonekyu...Excluded from equity-method company scope as at the end of 2007 H1

#### (2) Absence of retirement benefit system from last year: Absence of loss arising from partial introduction of a defined benefit pension system in FY2006

#### (3) Other: Absence of Lion Nathan's impairment losses and expenses for business structure improvement in FY2006

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# Changes in 2007 H1 non-consolidated operating, ordinary and net income

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<b>Operating income</b>		(3.5)	Lower marginal profit in alcohol beverages (Lower sales volume: beer down 3,000KL: 0.3, happo-shu down 25,000KL: 2.3, new genre down 3,000KL: 0.1, RTD down 25,000KL: 1.8, changes to product mix, etc.)
		(0.4)	Lower marginal profit in pharma
		(3.0)	Higher alcohol raw materials prices (higher can and carton prices: 1.4, higher barley prices: 0.6, etc.)
		4.2	Lower sales expense (Promotion and advertising expense: 4.3 (beer + happo-shu + new genre: 2.1, RTD 1.7, etc.), transportation expense: 0.1)
		0.7	Lower depreciation expense (15.5 → 14.8)
		0.2	Lower personnel expense (36.3 → 36.1)
		(1.3)	Others (Higher outsourcing fees: 0.7, lower R&D expense: 0.9 (13.0 → 12.1), etc.)
	<b>Change</b>	<b>(3.1)</b>	<b>2006 H1: 17.9 → 2007 H1: 14.8</b>

Main factors increasing operating income: Lower sales expense through efficient use of promotion and advertising expenses

Main factors decreasing operating income: Lower marginal profit in alcohol beverages (happo-shu, RTD, etc.), higher alcohol raw materials costs

<b>Ordinary income</b>	Non-operating income (loss)	(3.1)	Lower receipt of financial income 3.0 (19.8 → 16.8), etc.
	<b>Change</b>	<b>(6.2)</b>	<b>2006 H1: 38.6 → 2007 H1: 32.4</b>

<b>Net income</b>	Special income (loss), income taxes, etc.	(0.5)	Lower gains from disposal of investment securities: 0.9, higher losses from scrapping and disposal of fixed assets: 0.6, higher gains from disposal of investment in affiliates: 1.3, etc.
	Income taxes, etc.	2.2	Income taxes, etc. (14.2 → 12.0)
	<b>Change</b>	<b>(4.5)</b>	<b>2006 H1: 26.7 → 2007 H1: 22.2</b>

# Lion Nathan results overview

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## 2007 H1 results (Oct. 2006 – Mar. 2007) Unit: A\$ million

### ■ Net sales: 1,039.5 (increase of 5.3% on the previous comparable period)

In addition to an increase in sales volumes in Australia, the shift to premium beer is progressing well. Sales volumes have also risen in New Zealand and an increase in market share has been achieved.

Wine sales performed well, declining only slightly amidst a severe industry environment including an oversupply of grapes and other factors

### ■ EBIT: 269.2 (increase of 4.2% on the previous comparable period)

EBIT (earnings before interest and taxes) increased, bolstered by the success of streamlining distribution and production in Australia, which more than compensated for an increase in investments in marketing and high raw materials costs. In New Zealand, EBIT was at the same level as the previous year due to fierce price competition. In wines, EBIT increased, driven by a rise in sales of major brands and cost efficiencies

### ■ NPAT (net profit after taxes): 156.8 (increase of 3.6% on the previous comparable period)

#### Results by business

- Australia (beer): sales volume +1.6%, net sales +8.0%, EBIT +4.7%
- New Zealand (beer, wine, RTD other): sales volume +0.6%, net sales\* +6.4%, EBIT\* +0% (\* NZ\$ base)
- Wine: sales volume -3.8%, net sales -2.2%, EBIT +26.4%

## 2007 full-year results guide (Oct. 2006 to Sept. 2007) (As announced by LN, Unit: A\$ million)

### ■ NPAT (net profit after taxes): 250 – 260 (pre one-time and significant items)

\* Forecasts for LN in Kirin's consolidated forecasts are calculated by simply reflecting forecast exchange rates on 2006 results (See next page)

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# Inclusion of Lion Nathan in Kirin's consolidated results

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(billion yen)					
2007 H1	Sales	Operating income	Ordinary income	Net income	Consolidated net income
Lion Nathan P/L	96.7	24.2	*20.4	15.0	6.9
Amortization of consol. adjust account		(1.2)	(1.2)	(1.2)	(1.2)
Brand amortization		(3.3)	(3.3)	(3.3)	(1.5)
Amortization of goodwill		(0.7)	(0.7)	(0.7)	(0.3)
Net	96.7	18.8	15.0	9.7	3.7
2006 H1	Sales	Operating income	Ordinary income	Net income	Consolidated net income
Lion Nathan P/L	85.4	21.7	18.6	12.8	5.9
Amortization of consol. adjust account		(1.2)	(1.2)	(1.2)	(1.2)
Brand amortization		(3.1)	(3.1)	(3.1)	(1.4)
Amortization of goodwill		(0.6)	(0.6)	(0.6)	(0.3)
Net	85.4	16.6	13.5	7.7	2.8
2007 full year forecast	Sales	Operating income	Ordinary income	Net income	Consolidated net income
Lion Nathan P/L	180.8	44.0	36.7	22.2	10.2
Amortization of consol. adjust account		(2.5)	(2.5)	(2.5)	(2.5)
Brand amortization		(7.0)	(7.0)	(7.0)	(3.2)
Amortization of goodwill		(1.5)	(1.5)	(1.5)	(0.7)
Net	180.8	32.8	25.5	11.0	3.6

Average rates during period as used for Lion Nathan P&L  
2007 H1 1A\$ = ¥93.10  
2006 H1 1A\$ = ¥86.57

March 31 rate (used for Lion Nathan B/S)  
2007 H1 1A\$ = ¥95.36  
2006 H1 1A\$ = ¥84.05

June 30 rate (used in Kirin B/S)  
2007 H1 1A\$ = ¥104.45  
2006 H1 1A\$ = ¥85.25

Forecast rates during period as used for Lion Nathan P&L  
2007 forecast 1A\$ = ¥98

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

Brand amortization: Amortization of non-tangible assets acquired by LN through M&A, etc. Subject to changes in appraisal value and exchange rates.

Amortization of goodwill: From the period to Sept. 2006 LN has discontinued this in line with international accounting standards. However, Kirin is continuing this amortization in its consolidated accounts.

\*In LN's P&L statements, part of ordinary income was on consolidation reassigned as extraordinary income. The above figures reflect this change.

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## Business outline

**Alcoholic beverage business:** Production and sale of beer, spirits and soft drinks. Sales areas for beer products include Philippines, Vietnam, Thailand, Hong Kong, China, Indonesia and Australia

**Food business (San Miguel Pure Foods):** Processing and sale of meat, dairy products, production and sale of feed

**Packaging business (San Miguel Packaging Products):** Can manufacturing, plastics business, glass business

**National Foods & Berri:** Acquired Australia's leading juice company Berri in 2004 and its leading dairy products company National Foods in 2005

San Miguel has announced its intention to participate in new businesses such as power generation, power transmission, water supply, public works, mining and infrastructure development, and the alcoholic beverage and packaging businesses will undergo company separation, and this was approved at the shareholders' meeting on July 24. It will seek strengthened partnership with Kirin in the alcoholic beverage business.

## Results overview

### Jan. 2006 to Dec. 2006 (referential)

\*1 PHP = ¥2.30 (Avg. 2006 rate)

Net sales: 249.6 bn peso (About ¥574.1 bn, +10%)  
 Operating income: 20.5 bn peso (About ¥47.2 bn, +18%)  
 Net income: 10.5 bn peso (About ¥24.2 bn, +17%)

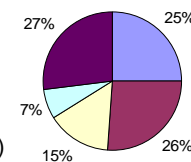
### Oct. 2006 to Mar. 2007

\*1 PHP = ¥2.44 (Avg. Oct. 2006 to Mar. 2007 rate)

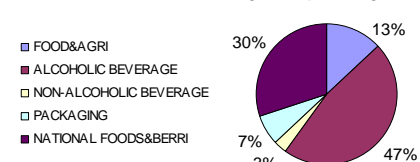
Net sales: 122.0 bn peso (About ¥297.7 bn, +29.0%)  
 Operating income: 9.6 bn peso (About ¥23.4 bn, -24%)  
 Net income: 8.7 bn peso (About ¥21.2 bn, +7%)

### San Miguel: Net sales and operating income by segment (FY2006)

Percentage of sales



Percentage of operating income



# Inclusion of San Miguel in Kirin's consolidated results

(billion yen)

First half 2007	Sales	Operating income	Ordinary income	Net income	Consolidated net income
SMC P&L	297.7	23.5	20.1	21.2	* 4.2
Equity in earnings of affiliates*			4.2	4.2	4.2
Amortization of investment amount differences			(1.0)	(1.0)	(1.0)
Net			3.1	3.1	3.1
First half 2006	Sales	Operating income	Ordinary income	Net income	Consolidated net income
SMC P&L	272.4	24.9	14.9	9.7	*1.9
Equity in earnings of affiliates*			1.9	1.9	1.9
Amortization of investment amount differences			(1.0)	(1.0)	(1.0)
Net			0.9	0.9	0.9
2007 full year forecast	Sales	Operating income	Ordinary income	Net income	Consolidated net income
SMC P&L	624.1	51.3	38.1	25.4	*5.0
Equity in earnings of affiliates*			5.0	5.0	5.0
Amortization of investment amount differences			(2.1)	(2.1)	(2.1)
Net			2.9	2.9	2.9

#### Average rates during period as used in SMC P&L

20071H 1PHP = ¥2.44  
 20061H 1PHP = ¥2.24

#### March 31 rate (used in SMC B/S)

20071H 1PHP = ¥2.46  
 20061H 1PHP = ¥2.18

#### Forecast rates during period as used in SMC P&L

2007 forecast 1PHP = ¥2.5

From fiscal 2006, the financial reporting period for San Miguel has changed. Calculations for 2007 H1 are for San Miguel's results for the period from Oct. 2006 to Mar. 2007, while calculations for 2006 H1 are results for the period from Jan. to Jun. 2006. 2007 full-year forecasts are for Oct. 2006 to Sept. 2007.

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

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