

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Stock Code 2503

March 4, 2009

To Our Shareholders:

Convocation Notice of the 170th Ordinary General Meeting of Shareholders

Dear Shareholders:

Please be advised that the 170th Ordinary General Meeting of Shareholders of the Company will be held as set forth below. You are cordially requested to attend the Meeting.

Yours very truly,

Kazuyasu Kato
Representative Director and President

Kirin Holdings Company, Limited
10-1, Shinkawa 2-chome,
Chuo-ku, Tokyo

If you do not plan to attend the Meeting, you may exercise your voting rights in either of the following ways. Please review the accompanying “Reference Documents for the General Meeting of Shareholders” and exercise your voting rights by 5:30 p.m., March 25, 2009 (JST):

Exercise of voting rights via postal mail: [Translation omitted.]

Exercise of voting rights via the Internet: [Translation omitted.]

Details of the Meeting

1. Date and Time:

March 26, 2009, (Thursday) at 10:00 a.m.

2. Place:

Convention Hall, B2, The Prince Park Tower Tokyo
8-1, Shiba Koen 4-chome, Minato-ku, Tokyo

3. Agenda:

Matters to be reported:

- 1) Report on the business report, the consolidated financial statements and the results of the audit of the consolidated financial statements by the Independent Auditors and Board of Corporate Auditors for the 170th business term (from January 1, 2008 to December 31, 2008).
- 2) Report on the financial statements for the 170th business term (from January 1, 2008 to December 31, 2008).

Matters to be voted on:

- | | |
|--------------------|---|
| Proposition No. 1: | Dividend and disposition of surplus |
| Proposition No. 2: | Partial amendments to the Articles of Incorporation |
| Proposition No. 3: | Election of nine (9) Directors |
| Proposition No. 4: | Presentation of bonuses to corporate officers |

4. Exercise of Voting Rights

In the case votes both via postal mail and via the Internet (double-vote) are received, the Internet vote will be considered as the valid vote.

When exercising voting rights via the Internet, it is possible to vote multiple times, and in such cases, the last vote will be considered as the valid vote.

Please present the Voting Rights Exercise Form enclosed herewith to the reception of the meeting place if you are to exercise your voting rights at the Meeting.

If any changes are required in the “Reference Documents for the General Meeting of Shareholders,” business report, financial statements and consolidated financial statements, the changes will be posted on the Company’s website (Investor Relations) located at (<http://www.kirinholdings.co.jp/english/ir/>).

(Attached documents)

BUSINESS REPORT

(For the period from January 1 to December 31, 2008)

1. Overview of Kirin Group business activities

(1) Kirin Group developments and results of business activities

Financial instability stemming from the sub-prime loan problem in the U.S. spread widely during the year under review, and from around October the global economy decelerated rapidly. Although governments in various countries have adopted measures aimed at stabilizing the markets, it appears that a continuation of the global economic slowdown is likely. Japan's economy has also slowed down with the financial crisis, and corporate earnings have been hit by a steep appreciation of the yen along with high raw material prices. Consumer sentiment has been weakening, reflecting high commodity prices and the uncertain outlook.

At Kirin Group, 2008 marked the second year of the 2007-2009 Medium-Term Business Plan, which itself is Stage I in Kirin's long-term strategic framework Kirin Group Vision 2015, or KV2015. During 2008 Kirin pursued a wide range of business development initiatives both in Japan and overseas. In Australia, Kirin pursued further development to become a leading food and health company in Asia and Oceania by acquiring National Foods Limited ("National Foods"), and also acquired all the shares of Australian company Dairy Farmers Limited in November. In Japan, the scale of Kirin's business expanded significantly with the consolidation of Kyowa Hakko Kogyo Co., Ltd. ("Kyowa Hakko"). With the merger of Kyowa Hakko and Kirin Pharma Co., Ltd. on October 1, 2008, Kyowa Hakko changed its company name to Kyowa Hakko Kirin Co., Ltd. ("Kyowa Hakko Kirin"). Looking ahead, management intends to focus on generating return on investment and realizing group synergies.

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

	Billions of yen	Percentage increase (decrease) compared to the previous term
Consolidated:		
Total sales.....	¥2,303.5	27.9%
Operating income.....	¥145.9	21.0%
Ordinary income.....	¥103.0	(16.5%)
Net income	¥80.1	20.2%

Sales and operating income by business division

Division	Total sales	Percentage increase (decrease) compared to the previous term	Operating income	Percentage increase (decrease) compared to the previous term
Alcohol Beverages Business	¥1,181.5 billion	(0.7%)	¥109.9 billion	13.9%
Soft Drinks and Foods Business	¥716.6 billion	51.0%	¥6.4 billion	(59.9%)
Pharmaceuticals Business	¥171.5 billion	145.3%	¥28.2 billion	116.9%
Other Businesses	¥233.8 billion	247.9%	¥18.2 billion	188.8%
Subtotal	¥2,303.5 billion		¥162.9 billion	
(Elimination and unallocatable costs)	—		(¥16.9 billion)	
Total	¥2,303.5 billion	27.9%	¥145.9 billion	21.0%

- (Notes)
1. Sales of each business division indicate the sales to unaffiliated customers.
 2. Due to changes in methods of categorizing operations, foods, health and functional foods businesses etc. previously included in the Other Businesses Divisions were shifted to the Soft Drinks and Foods Business Division and its division name was changed to the Soft Drinks and Foods Business Division. Comparison to the previous term of sales and operating income by business division are calculated by reclassifying the actual results of the previous term according to new business segment classification.

Breakdown by business division

		Pharmaceuticals 7.4%			
Total sales	Alcohol Beverages	Soft Drinks and Foods		Others	
	51.3%	31.1%		10.2%	
		Soft Drinks and Foods 3.9%			
Operating income	Alcohol Beverages	Pharmaceuticals	Others		
	67.5%	17.3%	11.2%		

Alcohol Beverages Business Division

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

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

In the overall market for beer, *happo-shu* and new genre, the sales volume declined year on year as was the case for Kirin Brewery, influenced by such factors as price increases implemented by various breweries to reflect high raw materials costs, and a worsening of consumer sentiment as the economy slowed.

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

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

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

* RTD: an acronym for "Ready to Drink," RTD products are premixed low alcohol beverages that can be drunk straight from the can or bottle.

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

At Mercian Corporation, sales of daily wines trended favorably with further enhancement of merchandizing activities with Kirin Merchandizing Co., Ltd., supported by good sales of non-preservative domestic wine and imported wines such as "*Frontera*" and "*Sunrise*." Sales of previously strong-selling mid-range wines, however, were greatly affected by the sudden economic downturn since October 2008, and sales of Beaujolais Nouveau also

struggled.

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

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

Soft Drinks and Foods Business Division

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

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

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

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

Kirin Food-Tech Company Limited, which is primarily engaged in the manufacture of

seasonings, announced the formation of an agreement in October 2008 to integrate its business in April 2009 with Kyowa Hakko Food Specialties Co., Ltd., after which the resulting company will be named Kirin Kyowa Foods Company.

Pharmaceuticals Business Division

In April 2008, Kirin Pharma Co., Ltd became a subsidiary of Kyowa Hakko. At that time, Kyowa Hakko became a consolidated subsidiary of the Company. In October 2008 the two companies merged to form a new company Kyowa Hakko Kirin Co., Ltd.

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

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

Other Businesses Divisions

From April 2008 Kyowa Hakko became a consolidated subsidiary of the Company and its bio-chemicals business and chemicals business have been included in the sales and operating income of Kirin's Other Businesses divisions.

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

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

(2) Future challenges for Kirin Group

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



Basic management strategies

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

Alcohol Beverages Business Division

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

resources areas in which Kirin Brewery has developed notable expertise, such as manufacturing technology, packaging and market research, we intend to utilize and enhance technological, development and analytical capabilities throughout the Group.

- Kirin Brewery will continue to pursue the key themes of *strengthening core brands* and *increasing overall demand* that were promoted during 2008, while adapting the third theme, which was previously *strengthening low-carbohydrate products*, to include the broader concept of *improving our response to consumer health consciousness*. We will also address diversifying customer needs by leveraging group technology to advance the concept of *evidence marketing*^{*1}, based on our awareness that customers are looking for product clarity and a simple rationale for their purchases.
 - *1. *A marketing technique that promotes products by providing customers with easy-to-understand evidence and product value that is supported by technological or other forms of proof*
- In the beer category, we will renew *Kirin Ichiban Shibori* as we mark the 20th anniversary of its launch. In *happo-shu*, where Kirin Brewery enjoys dominant market support, Kirin Brewery will pursue initiatives to strengthen the “*Kirin Tanrei Nama*” brand, and will introduce a new product to meet further growth in the health consciousness of consumers. Named “*Tanrei W*,” the product features 99% fewer purines and also incorporates wine polyphenols. In the expanding new genre category, we will continue enhancing promotional activities centered on “*Nodogoshi Nama*” with the aim of further increasing its popularity. As we continue to actively promote the expansion of value propositions in this category to overlap with RTDs, *shochu*, soft drinks and other areas, we are boosting our portfolio with the introduction of the world’s first^{*2} 0.00% alcohol beer-taste product, named “*Kirin Free*.”
 - *2. *In the beer-taste beverage category. Researched by Kirin Brewery.*
- In the RTD market, Kirin Brewery aims to further expand the market by strengthening our proposals to the 30 to 40 year-old age bracket in addition to the consumers in their twenties that are the main consumers. As part of this Kirin Brewery intends to introduce “*Kirin Chu-hi Hyoketsu Aperitif*,” which has been developed in collaboration with Mercian. In the *shochu* market we will work to increase our presence in the growth categories of *shochu* group B and blended *shochu*, pursuing initiatives such as the launch of a new product “*Kirin Shochu Tanrei Straight*,” which has also been co-developed with Mercian.
- 2009 is the second year of Mercian’s current medium-term business plan, and Mercian will continue initiatives with the aim of becoming Japan’s strong number one in wine and processing liquors. In wine, Mercian will pursue a sales and product strategy in 2009 to strengthen Mercian brands, while in processing liquors the problem-solving sales approach will be further developed.
- In overseas alcohol beverages operations, we will pursue our comprehensive beverages group strategy focused on Asia and Oceania. In China, we will continue the development of operations primarily through Kirin (China) Investment Co., Ltd., while Lion Nathan in Australia will be working to make use of the enhanced business foundations it has developed through enhancing brands and implementing

capital expenditure over the past three years, in pursuit of long-term growth. In the Philippines, we will strengthen our alliance with San Miguel Corporation.

Soft Drinks and Foods Business Division

- In both domestic and overseas markets, Kirin Group will intensify its soft drinks and foods business as a dynamic driving force while pursuing a comprehensive beverages strategy.
- At Kirin Beverage, where the market environment is very severe with continued weak consumption, we are taking a medium- to long-term approach to growth and have changed our strategic focus to emphasize profitability. In line with this, during 2009 we will work to *reinforce our revenue base* by maximizing the efficiency and effectiveness of our sales and marketing activities and lifting productivity, while *strengthening competitiveness along new axes* by developing high-value-added products. In addition, we aim to create value leading to new growth by reforming profit management and optimizing the allocation of resources to areas in which Kirin Beverage has specific strengths, and deepen the alliance with Kirin Brewery.
- In products, we will continue to undertake research marketing with a focus on current core brands, and actively develop new high value added brands aligned with the themes of *safety, trust, health and the environment*.
- In marketing, we will pursue measures to develop closer customer relationships, for example by working with other Kirin Group companies and adapting marketing activities to the specific characteristics of each region. We will actively engage in R&D and SEEDS development.
- In overseas operations, we will develop our beverages business in high-growth Asian areas, pursuing a premium product strategy in a similar manner to activities to date in China and Thailand, including commencing high value added product production and sales in Vietnam from the second half of 2009.
- At National Foods that operates dairy products and beverages businesses in Australia, we will embark on specific integration measures following completion of the acquisition of Dairy Farmers Limited in 2008, looking to realize synergies and cost reductions through the rationalization of production facilities, efficiencies in materials procurement and other such initiatives, with the aim of creating a strong brand portfolio across all dairy product categories. It is expected that material costs will be recorded for business restructuring activities undertaken during 2009.
- Following the establishment of the newly merged Kirin Kyowa Foods Company in April 2009, we will work to put in place a sound organizational structure and rapidly achieve integration benefits, aiming to boost our market presence in the food materials industry.
- In health foods and functional foods business, we will pursue cross-divisional group product development centered on beverages, with the aim of commercializing our first products in 2010.

Pharmaceuticals Business Division

- In pharmaceuticals business, managed by Kyowa Hakko Kirin, we will continue taking active steps to realize integration benefits.

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

Other Businesses Divisions

- In the biochemical business operated by Kyowa Hakko Bio, Co., Ltd., we will continue to develop business in the growth area of amino acids.
- In the chemical business operated by Kyowa Hakko Chemical Co., Ltd., we aim to strengthen existing core products while generating stable earnings through the development of distinctive new products.
- In agribio business, we will aim to enhance seedling production technology to enable the development of new high-value-added products.

CSR Initiatives

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

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

In the spirit of its Group slogan, "*Oishisa wo Egao ni*" (*Good taste makes you smile*), Kirin Group will seek to stand beside its customers, develop diverse bonds with them, and share the happiness of food and health.

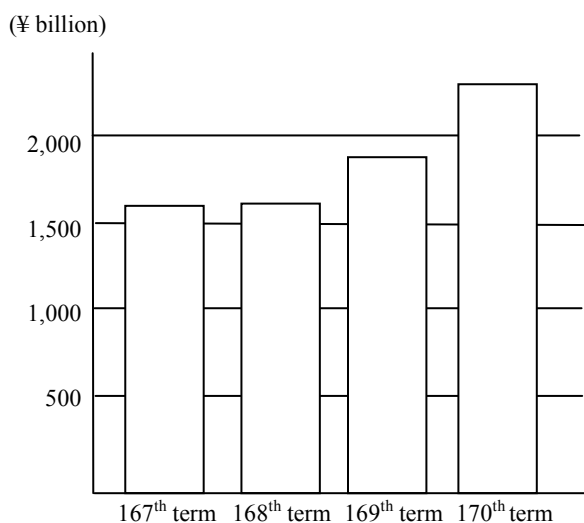
Kirin Group is grateful for the continued support of its shareholders.

(3) State of assets and income of Kirin Group

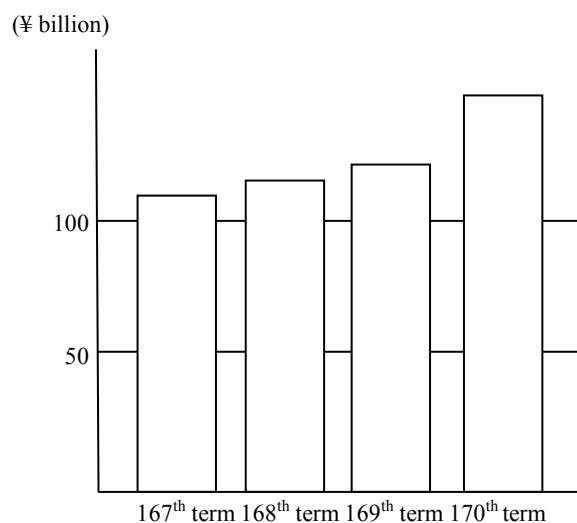
Item	167 th term	168 th term	169 th term	170 th term
	(Jan. 1, 2005 – Dec. 31, 2005)	(Jan. 1, 2006 – Dec. 31, 2006)	(Jan. 1, 2007 – Dec. 31, 2007)	(Jan. 1, 2008 – Dec. 31, 2008)
Sales	¥1,632,249 million	¥1,665,946 million	¥1,801,164 million	¥2,303,569 million
Operating income	¥111,708 million	¥116,358 million	¥120,608 million	¥145,977 million
Ordinary income	¥114,881 million	¥120,865 million	¥123,389 million	¥103,065 million
Net income	¥51,263 million	¥53,512 million	¥66,713 million	¥80,182 million
Net income per share	¥53.23	¥55.98	¥69.86	¥84.01
Net assets	¥972,601 million	¥1,043,724 million	¥1,099,555 million	¥1,149,998 million
Net assets per share	¥1,016.74	¥1,040.44	¥1,104.83	¥972.19
Total assets	¥1,937,866 million	¥1,963,586 million	¥2,469,667 million	¥2,619,623 million

(Note) Effective from the 168th term, the Accounting Standards Board of Japan (ASBJ) Statement No. 5 “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (December 9, 2005) and ASBJ Guidance No. 8 “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (December 9, 2005) have been applied.

Consolidated sales



Consolidated operating income



Sales and operating income results by business division are as follows:

Sales

Division	167 th term	168 th term	169 th term	170 th term
	(Jan. 1, 2005 – Dec. 31, 2005)	(Jan. 1, 2006 – Dec. 31, 2006)	(Jan. 1, 2007 – Dec. 31, 2007)	(Jan. 1, 2008 – Dec. 31, 2008)
Alcohol Beverages Business	¥1,019,347 million	¥1,099,308 million	¥1,189,478 million	¥1,181,509 million
Soft Drinks Business	¥380,177 million	¥392,729 million	–	–
Soft Drinks and Foods Business	–	–	¥474,560 million	¥716,688 million
Pharmaceuticals Business	¥67,605 million	¥67,245 million	¥69,909 million	¥171,517 million
Other Businesses	¥165,118 million	¥106,664 million	¥67,216 million	¥233,853 million
Total	¥1,632,249 million	¥1,665,946 million	¥1,801,164 million	¥2,303,569 million

Operating income

Division	167 th term	168 th term	169 th term	170 th term
	(Jan. 1, 2005 – Dec. 31, 2005)	(Jan. 1, 2006 – Dec. 31, 2006)	(Jan. 1, 2007 – Dec. 31, 2007)	(Jan. 1, 2008 – Dec. 31, 2008)
Alcohol Beverages Business	¥75,666 million	¥86,510 million	¥96,563 million	¥109,989 million
Soft Drinks Business	¥19,370 million	¥19,714 million	–	–
Soft Drinks and Foods Business	–	–	¥16,030 million	¥6,431 million
Pharmaceuticals Business	¥14,248 million	¥12,044 million	¥13,001 million	¥28,200 million
Other Businesses	¥4,419 million	¥561 million	¥6,329 million	¥18,280 million
Subtotal	¥113,704 million	¥118,830 million	¥131,924 million	¥162,901 million
Elimination and unallocatable costs	(¥1,995) million	(¥2,472) million	(¥11,316) million	(¥16,924) million
Total	¥111,708 million	¥116,358 million	¥120,608 million	¥145,977 million

- (Notes)
1. Sales of each business division indicate the sales to unaffiliated customers.
 2. Due to changes in methods of categorizing operations, engineering, logistics businesses etc. were shifted from its Other Businesses Divisions to its Alcohol Beverages Business Division from the 169th term. Sales and operating income by

business division for the 168th term are presented according to new business segment classification.

Previously, the Company's indirect department costs were allocated to each business division based on sales criteria. After the Company's transition to a pure holding company structure, however, they were included in unallocatable costs as group management costs arising at the Company that is the Group's holding company.

3. Due to changes in methods of categorizing operations, foods, health foods and functional foods businesses etc. previously included in the Other Businesses Divisions were shifted to the Soft Drinks Business Division and its division name was changed to the Soft Drinks and Foods Business Division. Sales and operating income by business division for the 169th term are presented according to new business segment classification.

(4) Kirin Group plant and equipment investment

Consolidated plant and equipment investment for the term under review amounted to ¥126 billion on a payment basis, an increase of ¥59.1 billion compared to the previous term.

Major facilities completed during the term under review and under construction or contemplation as of the end of the term are as follows:

1) Major facilities completed during the term under review

Business Division	Company Name	Details of the plant and equipment investment
Soft Drinks and Foods Business	Kirin Beverage Co., Ltd.	Kanto Metropolis Area Div. and Others – Renewal and installation of vending machines

2) Major facilities under construction or contemplation as of the end of the term under review

Business Division	Company Name	Details of the plant and equipment investment
Alcohol Beverages Business	Kirin Brewery Co., Ltd.	Shiga Plant – Partial demolition and construction of brewing facilities of beer and <i>happo-shu</i> , etc. Yokohama Plant – Improvement of brewing facilities of beer and <i>happo-shu</i> , etc. Construction of offices, etc.
	Lion Nathan Ltd.	Auckland Plant – Construction of brewing facilities of beer, etc.
Soft Drinks and Foods Business	Kirin Beverage Co., Ltd.	Kanto Metropolis Area Div. and Others – Renewal and installation of vending machines
Pharmaceuticals Business	Kyowa Hakko Kirin Co., Ltd.	Bio Process Research and Development Laboratories – Expansion of Pharmaceutical production facility Tokyo Research Park – Construction of research building
Other Businesses	Kirin Holdings Co., Ltd.	Former Amagasaki Plant Site – Commercial complex development project

(5) Kirin Group financing

The aggregate amount of loans payable, including bonds, was ¥663.8 billion as of the end of the fiscal year under review. This was an increase of ¥54 billion compared to the end of the previous term.

Main financing for the fiscal year under review was ¥43.9 billion in short-term loans by the Company from financial institutions. These funds were raised for the acquisition of Dairy Farmers Limited in Australia.

[The information hereunder is as of December 31, 2008, unless noted otherwise.]

(6) Description of the main businesses of Kirin Group

The main businesses of Kirin Group are the production and sale of alcohol beverages, soft drinks and foods, pharmaceuticals, and other products. The principal products by business division are as follows:

Business Division	Principal products
Alcohol Beverages	Beer, <i>Happo-shu</i> , New genre, <i>Shochu</i> , Wine, Liquors, etc.
Soft Drinks and Foods	Soft drinks, dairy products, other foods, etc.
Pharmaceuticals	Prescription medicine

(7) Major business offices, plants, etc. in Kirin Group

1) Kirin Holdings Company, Limited

Head Office: 10-1, Shinkawa 2-chome, Chuo-ku, Tokyo

Research Institute: Central Laboratories for Frontier Technology (Yokohama, etc.)

2) Major subsidiaries

Business Division	Company Name	Major centers	
Alcohol Beverages	Kirin Brewery Co., Ltd.	Head Office Branch Offices Plants Research Institutes	Chuo-ku, Tokyo 10 Regional Sales & Marketing Divisions including Metropolitan Regional Sales & Marketing Division (Chuo-ku, Tokyo) 11 Plants including Yokohama Plant (Yokohama) Research Laboratories for Brewing, Research Laboratories for Packaging (Yokohama)
	Mercian Corp.	Head Office Branch Offices Plants	Chuo-ku, Tokyo 3 Sales Headquarters including Eastern Japan Sales Headquarters (Chuo-ku, Tokyo) 6 Plants including Fujisawa Plant (Fujisawa)
	Lion Nathan Ltd.	Head Office	Sydney, New South Wales, Australia
	Kirin (China) Investment Co., Ltd.	Head Office	Shanghai, China
Soft Drinks and Foods	Kirin Beverage Co., Ltd.	Head Office Branch Offices Plants Research Institute	Chiyoda-ku, Tokyo 7 Area Divisions including Kanto Metropolis Area Division (Chiyoda-ku, Tokyo) Shonan Plant (Samukawa-machi, Koza-gun, Kanagawa), Maizuru Plant (Maizuru) Research and Development Laboratory (Yokohama)
	National Foods Limited	Head Office	Melbourne, Victoria, Australia
Pharmaceuticals	Kyowa Hakko Kirin Co., Ltd.	Head Office Branch Offices Plants Research Institutes	Chiyoda-ku, Tokyo 17 Branches including East-Tokyo Branch (Chuo-ku, Tokyo) 5 Plants including Fuji Plant (Nagaizumi-cho, Suntou-gun, Shizuoka) and Takasaki Plant (Takasaki) 6 Laboratories including Tokyo Research Park (Machida, Tokyo) and Fuji Research Park (Nagaizumi-cho, Suntou-gun, Shizuoka)

(8) **Employees of Kirin Group**

Division	Number of employees (persons)	
Alcohol Beverages Business	12,715	[4,135]
Soft Drinks and Foods Business	12,818	[1,515]
Pharmaceuticals Business	4,626	[77]
Other Businesses	5,749	[330]
Administration	646	[11]
Total	36,554	[6,068]

- (Notes)
1. The number of employees indicates the number of employees currently on duty.
 2. The yearly average number of temporary employees is separately indicated in brackets.
 3. The number of the Company's employees is 263 (excluding employees seconded by the Company and including employees seconded to the Company.)

(9) **Significant subsidiaries, etc.**

1) **Significant subsidiaries**

Company Name	Location	Capital	Ratio of voting rights held by the Company	Description of principal businesses
Kirin Brewery Co., Ltd.	Chuo-ku, Tokyo	¥30,000 million	100%	Production and sale of alcohol beverages
Mercian Corp.	Chuo-ku, Tokyo	¥20,972 million	50.8%	Import, production and sale of alcohol beverages
Lion Nathan Ltd.	Sydney, New South Wales, Australia	A\$436,086 thousand	46.1%	Production and sale of beer and wine
Kirin (China) Investment Co., Ltd.	Shanghai, China	U.S.\$150,000 thousand	100%	Management of beer business in China
Kirin Beverage Co., Ltd.	Chiyoda-ku, Tokyo	¥8,416 million	100%	Production and sale of soft drinks

Company Name	Location	Capital	Ratio of voting rights held by the Company	Description of principal businesses
The Coca-Cola Bottling Company of Northern New England, Inc.	Bedford, New Hampshire, U.S.A.	U.S.\$930 thousand	100%	Production and sale of soft drinks
National Foods Ltd.	Melbourne, Victoria, Australia	A\$552,390 thousand	*100%	Production and sale of milk and dairy products and fruit beverages
Dairy Farmers Ltd.	Sydney, New South Wales, Australia	A\$81,986 thousand	*100%	Production and sale of milk and dairy products
Kyowa Hakko Kirin Co., Ltd.	Chiyoda-ku, Tokyo	¥26,745 million	50.8%	Production and sale of prescription medicine
Kirin Food-Tech Co., Ltd.	Chuo-ku, Tokyo	¥5,000 million	100%	Production and sale of seasonings, etc.
Nagano Tomato Co., Ltd.	Matsumoto	¥711 million	*99.4%	Production and sale of foods, production of drinks, etc. under contract
Kirin Business Expert Co., Ltd.	Shibuya-ku, Tokyo	¥500 million	100%	Provision of support functions and shared group services

- (Notes) 1. The ratio of voting rights marked with * include those held by the subsidiaries.
2. Kyowa Hakko Kirin Co., Ltd. (renamed from Kyowa Hakko Kogyo Co., Ltd.) became the Company's subsidiary from an affiliated company by the share exchange as mentioned in (10) below.
3. The ratio of voting rights of Nagano Tomato Co., Ltd. became 99.4% (98.4% at the end of the previous term) as the Company newly acquired 4,350 shares of Nagano Tomato.

2) Significant affiliated companies

Company Name	Location	Capital	Ratio of voting rights held by the Company	Description of principal business
San Miguel Corp.	Mandaluyong City, Metro Manila, the Republic of the Philippines	₱16,112 million	19.9%	Production and sale of alcohol beverages, soft drinks, and foods, etc.
Kirin-Amgen, Inc.	Thousand Oaks, California, U.S.A.	U.S.\$10	50.0%	Research and development of pharmaceuticals

3) Significant business affiliations

Company Name	Name of partner companies	Description of affiliation
Kirin Brewery Co., Ltd.	Heineken International B.V.	Incorporation of a joint venture (in Japan) for the purpose of selling Heineken Beer in Japan
	Anheuser-Busch, Inc.	Exclusive production and sale of Budweiser Beer in Japan
	Pernod Ricard S.A.	Exclusive import and sale of liquors, etc.
	Diageo Plc.	Exclusive import and sale of liquors, etc.
Kirin Beverage Co., Ltd.	Group Danone S.A. Mitsubishi Corp.	Incorporation of a joint venture (in Japan) for the purpose of import, production and sales of mineral water
Kirin Holdings Co., Ltd.	Anheuser-Busch, Inc.	License to produce and sell Kirin Beer in the U.S.A.
	Amgen Inc.	Incorporation of a joint venture (in the U.S.A.) for the purpose of research and development of pharmaceuticals, etc.

(10) Status of significant business transfers from and to Kirin Group and the acquisition or disposal of shares of other companies

- 1) With the objective of further strengthening its beer business in Australia, Lion Nathan Limited. acquired the entire stake in J Boag & Son Pty Limited.

- 2) With the objective of establishing the business base for further growth in dairy products business in Australia, National Foods Limited acquired the entire stake in Dairy Farmers Limited.
- 3) Due to the share exchange between Kyowa Hakko Kogyo Co., Ltd. (herein after “Kyowa Hakko”) and Kirin Pharma Co., Ltd. (herein after “Kirin Pharma”), Kirin Pharma became a wholly owned subsidiary of Kyowa Hakko and Kyowa Hakko became a subsidiary of the Company. Kyowa Hakko merged with Kirin Pharma and changed its name to Kyowa Hakko Kirin Co., Ltd.
- 4) Kyowa Hakko Kirin Co., Ltd. transferred Bio-Chemicals Business, through its company split, to Kyowa Hakko Bio Co., Ltd. that was newly established.

(11) Principal lenders and the amount of loans of Kirin Group

Lender	Outstanding amount of loan
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥97,495 million
Meiji Yasuda Life Insurance Company	¥51,200 million

(Note) In addition to the above, there is a syndicated loan of ¥98,887 million, with The Bank of Tokyo-Mitsubishi UFJ, Ltd. as agent bank.

2. State of shares

- (1) **Total number of shares authorized to be issued** 1,732,026,000 shares
- (2) **Total number of issued shares** 984,508,387 shares
(No change from the end of the previous term)
- (3) **Number of shareholders** 133,636 persons
(Decreased by 158 persons from the end of the previous term)
- (4) **Major shareholders (top ten)**

Name of shareholder	Number of shares held by the shareholder (thousand shares)	Ratio of shares held (%)
Japan Trustee Service Bank, Ltd. (Trust account)	50,960	5.2
Meiji Yasuda Life Insurance Company	43,697	4.4
Japan Trustee Service Bank, Ltd. (Trust account 4G)	41,039	4.2
The Master Trust Bank of Japan, Ltd. (Trust account)	40,595	4.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	35,085	3.6
Isono Shokai, Limited	23,272	2.4
Japan Trustee Service Bank, Ltd. (Trust account 4)	22,668	2.3
Moxley & Co.	20,548	2.1
The Mellon Bank, N.A. Treaty Client Omnibus	15,585	1.6
State Street Bank and Trust Company	12,718	1.3

(Note) In addition to the above, the Company holds 30,157 thousand treasury shares.

3. Status of the Company's Directors and Corporate Auditors

(1) Names of Directors and Corporate Auditors, etc

Title	Name	Position and representation of other companies, etc.
Chairman	Koichiro Aramaki	–
President (Representative Director)	Kazuyasu Kato	–
Executive Vice President (Representative Director)	Kazuhiro Sato	Responsible for Group Personnel & General affairs Strategy and Internal Control and Internal Audit
Managing Director (Representative Director)	Koichi Matsuzawa	Responsible for Group Production Technology, CSR & Risk Management & Compliance
Managing Director	Etsuji Tawada	Responsible for Group R&D and Group Information Strategy
*Managing Director	Yoshiharu Furumoto	Responsible for Group Financial Strategy and PR & IR Strategy
*Director	Yuzuru Matsuda	President & CEO of Kyowa Hakko Kirin Co., Ltd.
Director	Satoru Kishi	Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Director	Akira Gemma	Advisor of Shiseido Co., Ltd.
Standing Corporate Auditor	Hitoshi Oshima	–
Standing Corporate Auditor	Tetsuo Iwasa	–
Corporate Auditor	Toyoshi Nakano	Senior Advisor of the Mitsubishi UFJ Trust and Banking Corporation
Corporate Auditor	Teruo Ozaki	Certified Public Accountant
Corporate Auditor	Kazuo Tezuka	Attorney

(Notes) 1. Director marked with * assumed office as of March 26, 2008.

2. Mr. Satoru Kishi and Mr. Akira Gemma are outside Directors as provided for in Article 2, Item 15 of the Corporation Law.

3. Mr. Toyoshi Nakano, Mr. Teruo Ozaki and Mr. Kazuo Tezuka are outside Corporate Auditors as provided for in Article 2, Paragraph 16 of the Corporation Law.
4. Corporate Auditor Mr. Teruo Ozaki is a Certified Public Accountant and has a wealth of expertise in finance and accounting.
5. Directors listed hereunder retired as of March 26, 2008.

Managing Director	Takeshi Shimazu
Managing Director	Tomohiro Mune
Director	Kenjiro Hata
6. Important positions concurrently held at other companies by Directors and Corporate Auditors are described below. (Details of concurrent service of outside Directors and outside Corporate Auditors are described in (3) Matters regarding outside Directors and outside Corporate Auditors.)

Name	Company Name	Specific concurrent position
Koichiro Aramaki	The Coca-Cola Bottling Company of Northern New England, Inc.	Director
Koichi Matsuzawa	San Miguel Corp.	Director
	Lion Nathan Ltd.	Director
	National Foods Ltd.	Director
Hitoshi Oshima	Kirin Brewery Co., Ltd.	Corporate Auditor
	Mercian Corporation	Corporate Auditor
Tetsuo Iwasa	Kirin Beverage Co., Ltd.	Corporate Auditor
	Kirin Business Expert Co., Ltd.	Corporate Auditor

(2) Remuneration to Directors and Corporate Auditors for the fiscal year under review

	Directors		Corporate Auditors		Total	
	Number of persons	Amount (millions of yen)	Number of persons	Amount (millions of yen)	Number of persons	Amount (millions of yen)
Monthly remuneration	11 (3)	388 (26)	5 (3)	104 (35)	16 (6)	493 (61)
Bonus	8 (2)	96 (2)	5 (3)	9 (3)	13 (5)	106 (5)
Total	–	484 (28)	–	114 (38)	–	599 (66)

- (Notes) 1. Nine (9) Directors and five (5) Corporate Auditors remain in their positions as of December 31, 2008. The total amount above includes remuneration to three (3) Directors (includes one (1) outside Director) who retired from office as of March 26, 2008.
2. The numbers in brackets indicate remuneration for outside Directors.
3. The remuneration limit for Directors is ¥50 million per month (Resolved at the 164th Ordinary General Meeting of Shareholders on March 28, 2003).
4. The remuneration limit for Corporate Auditors is ¥9 million per month (Resolved at the 167th Ordinary General Meeting of Shareholders on March 30, 2006).
5. The above bonus for Directors and Corporate Auditors is an amount expected to be paid on condition that the original proposition No. 4 of the 170th Ordinary General Meeting of Shareholders is approved.

(3) Matters regarding outside Directors and outside Corporate Auditors

1) Persons serving as outside Directors and outside Corporate Auditors at other companies

Title	Name	Company Name	Specific concurrent position
Director	Satoru Kishi	Mitsubishi Logistics Corporation	Outside Director
		HONDA MOTOR CO., LTD.	Outside Director
		MITSUBISHI HEAVY INDUSTRIES, LTD.	Outside Corporate Auditor
	Akira Gemma	KONAMI CORPORATION	Outside Director
Corporate Auditor	Toyoshi Nakano	MITSUBISHI HEAVY INDUSTRIES, LTD.	Outside Corporate Auditor
		NIKON CORPORATION	Outside Corporate Auditor
	Teruo Ozaki	Tokai Rubber Industries, Ltd.	Outside Corporate Auditor
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Outside Director
		ORIX CORPORATION	Outside Director
		DAIKYO INCORPORATED	Outside Director
	Kazuo Tezuka	ASAHI KASEI CORPORATION	Outside Corporate Auditor
		Plaza Create Co., Ltd.	Outside Corporate Auditor

2) Primary activities during the fiscal year

Title	Name	Attendance at Board of Directors meetings	Attendance at Board of Corporate Auditors meetings	Statements Contribution
Director	Satoru Kishi	17 times of 22 meetings	–	He was president at a bank. He made statements from his experience and perspective as a manager.
	Akira Gemma	22 times of 22 meetings	–	He was president at a consumer product manufacturing company. He made statements from his experience and perspective as a manager.
Corporate Auditor	Toyoshi Nakano	20 times of 22 meetings	11 times of 12 meetings	He was president at a trust bank. He made statements from his experience and perspective as a manager.
	Teruo Ozaki	22 times of 22 meetings	10 times of 12 meetings	He made statements primarily from his professional perspective as a CPA.
	Kazuo Tezuka	22 times of 22 meetings	11 times of 12 meetings	He made statements primarily from his professional perspective as an attorney.

4. Status of Independent Auditor

(1) Name of Independent Auditor

KPMG AZSA & Co.

(2) Remuneration to the Independent Auditor during the fiscal year under review

1)	Total remuneration paid by the Company to the Independent Auditor for audit certification in accordance with Article 2, Section 1 of the Certified Public Accountants Law	¥50 million
2)	Total remuneration paid by the Company to the Independent Auditor for services other than those stipulated in Article 2, Section 1 of the Certified Public Accountants Law	¥40 million
3)	Total audit remuneration paid by the Company to the Independent Auditor	¥90 million

(Notes) 1. The audit agreement between the Independent Auditor and the Company does not separately stipulate audit remunerations based on the Corporation Law or the Financial Instruments and Exchange Law. Hence, the remuneration in 1) above does not separate these two types of payment.

2. The remunerations described in 2) above are payments for duties of the advisory service concerning internal control related to financial reporting, etc.

Total amount and other property benefits paid by the Company and its subsidiaries ¥229 million

(Note) Of the significant subsidiaries of the Company, six (6) companies including Kyowa Hakko Kirin Co., Ltd and Mercian Corporation are subject to audits of accounts (limited to audits stipulated in the Corporation Law or the Financial Instruments and Exchange Law (including similar foreign laws)) by a certified public accountant or incorporated accounting firm (including overseas auditors possessing similar qualifications) other than the Independent Auditor of the Company.

(3) Policy regarding decisions to dismiss or deny reappointment to Independent Auditor

If the Company's Board of Auditors determines that any of the provisions of Article 340, Paragraph 1 of the Corporation Law applies with respect to the Independent Auditor, it shall dismiss the Independent Auditor. Such dismissal shall require the unanimous agreement of all the corporate auditors.

In addition, if it is determined that any of the provisions of Article 340, Paragraph 1

of the Corporation Law applies with respect to the Independent Auditor, the Company's Board of Directors shall, with the consent of, or upon a request from, the Board of Auditors, submit a proposition calling for the dismissal of the Independent Auditor to the General Meeting of Shareholders. Alternatively, if it is determined that a change of Independent Auditors is necessary because of the manner in which the Independent Auditors is executing its duties or because of the Company's system of auditing, the Board of Directors shall submit a proposition calling for the denial of reappointment to the Independent Auditor to the General Meeting of Shareholders.

5. System to secure the appropriate operations

The outline of a system to secure the appropriate operations of the Company (the internal control system) that the Company resolved at its Board of Directors Meeting is as follows. (At the Board of Directors meeting held on January 26, 2009, an addition of the item for internal control reporting system to ensure reliability of the financial reports based on the Financial Instruments and Exchange Law and related regulations was resolved.)

(1) System to secure compliance of performance of duties by the Directors and employees with laws and the articles of incorporation (“Compliance System”)

The Directors shall establish basic policy on the compliance of Kirin Group and promote the policy by maintaining an organization and provisions to execute the policy and integrating them with the activities in various sectors. In addition, the Directors shall carry out educational programs on compliance, clarify procedures concerning responses to breaches of compliance, and make those procedures public throughout the Group. The Internal Audit Department shall carry out internal auditing to secure that these systems are properly developed and applied.

Also, the Directors shall establish internal control reporting system to ensure reliability of the financial reports and conduct their operation and evaluation effectively and efficiently.

(2) System to secure the proper preservation and maintenance of information regarding the performance of duties by Directors (“System of Information Preservation and Maintenance”)

The Directors shall preserve the following documents (including electromagnetic record) together with the related materials for at least ten (10) years and make them available for inspection as necessary.

- Minutes of Shareholders Meetings
- Minutes of Board of Directors Meetings
- Minutes of Group Executive Committee meetings and other important meetings
- Approval applications (approval authority of the heads of divisions and above)
- Financial statements, business reports, and their detailed statements

(3) Regulations and other systems related to the control of the risk of loss (“Risk Management System”)

The Directors shall establish basic policy on the risk management of Kirin Group and promote the policy by maintaining an organization and provisions to execute the policy and integrating them with activities in various sectors. In addition, the Directors shall carry out educational programs on risk management, clarify procedures concerning the disclosure of risks and responses to the occurrence of crises, and make those procedures public throughout Kirin Group. The Internal Audit Department shall carry out internal auditing to secure that these systems are properly developed and applied.

(4) System to secure the efficient performance of duties by the Directors (“Efficient Performance System”)

The Directors shall maintain a management control system comprising the following items to secure the efficient performance of duties.

- In addition to the Board of Directors meetings, the Group Executive Committee shall be organized to deliberate significant matters affecting the entire Group, thereby ensuring that decisions are reached carefully based on considerations of multi-dimensional aspects.
- Establish quantitative and qualitative targets in the annual plan by business category and monitor performance, including quarterly monitoring (KVA management system*)

* Kirin’s own strategy management system with EVA as the Group’s common financial indicator.

(5) System to secure the appropriate operations for group companies comprising a company, its parent company, and subsidiaries (“Group Internal Control System”)

In order to secure the appropriate operations for Kirin Group, the Directors shall establish rules and standards to be applied to the Group companies, including the following items, and carry out operation in compliance with these rules and standards.

- Items related to the governance and monitoring of each Group company
- Items related to guidance and management concerning the maintenance of the internal control system for each Group company
- Items related to the communication system* linking the Group companies
- Items related to the Group internal auditing system operated by the Internal Audit Department

* The system to share information within the Group, the compliance hotline system, and other related items

(6) System to assign employees as support staff for Corporate Auditors when Corporate Auditors request support staff (together with (7), (8) and (9) below, “Corporate Auditor Related System”)

Employees of the Company will be assigned as support staff for Corporate Auditors.

(7) Items related to the assurance that the employees assigned as support staff as mentioned in the preceding provision remains independent from the Directors

In order to secure independence of the employees assigned as support staff as mentioned in the preceding provision, the consent of the Corporate Auditors shall be required for any decision related to personnel affairs, including the appointment and transfer of such employees. Such employees shall not assume any other appointment related to the operation of business simultaneously.

(8) System to secure reporting by Directors and employees to Corporate Auditors, and other systems to secure reporting to Corporate Auditors

The Directors shall report to the Corporate Auditors on matters specified by the Corporate Auditors in advance in accordance with the provisions of the Corporate Auditors' audit standard. Principal items are as follows:

- Any matter that may impose material damage to the Company, when the Directors find such matter
- Legal matters that require the consent of Corporate Auditors
- The status of maintenance and application of internal control system

Notwithstanding the abovementioned matters, a Corporate Auditor may request the Directors and employees to report on other matters any time as necessary.

(9) Other Systems to secure efficient auditing by Corporate Auditors

Corporate Auditors may appoint attorneys, certified public accountants, consultants, or other external advisors when considered necessary for the performance of auditing.

6. Basic policy regarding control of decision-making with respect to financial and business policies

The Company has not established a policy on the above, but its basic thinking in this regard is as follows.

Kirin Group has adopted a long-term strategic framework called the “Kirin Group Vision 2015,” under which it is aiming to strengthen its core domestic alcohol beverages business and achieve a quantum leap in growth through the execution of a Group-wide comprehensive beverage strategy and advancement of globalization. It believes that its highest priority is to enhance the corporate value of Kirin Group by achieving greater profitability through actions implemented under this plan.

As a listed company, the Company respects the right of investors to trade freely in its shares. Even were a specific party to acquire a large percentage of the Company’s shares, we would not categorically reject this acquisition so long as it contributes toward ensuring and enhancing the Group’s corporate value and the collective interests of its shareholders.

As of this date, the Company has not adopted a so-called “framework of takeover defense measures.” In the event that large-scale purchases of the shares in the Company threatens to exert a detrimental effect on the corporate value of the Group or to the collective interests of shareholders, however, the Company’s Board of Directors would consider it its duty—bestowed upon it by the shareholders—to take appropriate action. Such action might include securing information or time for the shareholders, negotiating on behalf of the shareholders with the persons who have made the acquisition, etc.

(Note) Amounts and numbers of shares in this report are indicated by omitting fractions. Percentages are rounded to the nearest decimal place.

CONSOLIDATED BALANCE SHEET

(As of December 31, 2008)

(millions of yen)

<u>Assets</u>	
Current Assets	<u>826,222</u>
Cash	72,662
Notes and accounts receivable, trade	446,630
Marketable securities	762
Inventories	219,320
Deferred tax assets	22,991
Other	65,735
Allowance for doubtful accounts	(1,879)
Fixed Assets	<u>1,793,400</u>
Property, Plant and Equipment	<u>791,311</u>
Buildings and structures	229,619
Machinery, equipment and vehicles	217,872
Land	244,240
Construction in progress	57,244
Other	42,335
Intangible Assets	<u>449,469</u>
Goodwill	343,975
Other	105,493
Investments and Other Assets	<u>552,619</u>
Investment securities	425,384
Long-term loans receivable	9,343
Deferred tax assets	34,700
Other	87,139
Allowance for doubtful accounts	(3,947)
<hr/>	
Total Assets	<u>2,619,623</u>
<hr/>	

Liabilities

Current Liabilities	<u>719,613</u>
Notes and accounts payable, trade	189,589
Short-term loans payable and long-term debt with current maturities	119,197
Bonds due within one year	44,112
Liquor taxes payable	104,245
Income taxes payable	28,495
Allowance for employees' bonuses	5,647
Allowance for bonuses for directors and corporate auditors	257
Accrued expenses	116,569
Deposits received	26,773
Other	84,725
Long-term Liabilities	<u>750,012</u>
Bonds	242,850
Long-term debt	257,731
Deferred tax liabilities	55,780
Deferred tax liability due to land revaluation	1,471
Employees' pension and retirement benefits	82,704
Retirement benefits for directors and corporate auditors	673
Reserve for repair and maintenance of vending machines	4,756
Reserve for loss on repurchase of land	1,068
Deposits received	67,093
Other	35,882
<hr/> Total Liabilities	<hr/> 1,469,625 <hr/>

<u>Net Assets</u>	
Shareholders' Equity	<u>983,772</u>
Common stock	102,045
Capital surplus	71,536
Retained earnings	839,248
Treasury stock, at cost	(29,058)
Valuation and translation adjustments	<u>(55,959)</u>
Net unrealized holding gains on securities	37,430
Deferred gains or losses on hedges	79
Land revaluation difference	(4,713)
Foreign currency translation adjustments	(88,756)
Subscription Rights to Shares	162
Minority Interests	222,023
<hr/>	
Total Net Assets	1,149,998
<hr/>	
Total Liabilities and Net Assets	2,619,623
<hr/>	

*Amounts are stated by omitting fractions less than ¥1 million.

CONSOLIDATED STATEMENT OF INCOME

(From January 1, 2008 to December 31, 2008)

		(millions of yen)
Sales		2,303,569
Cost of sales		1,392,895
Gross profit		910,673
Selling, general and administrative expenses		764,696
Operating income		145,977
Non-operating income		
Interest and dividend income	8,966	
Equity in earnings of affiliates	11,833	
Other income	7,027	27,827
Non-operating expenses		
Interest expense	25,385	
Foreign currency translation loss	37,287	
Other expenses	8,067	70,739
Ordinary income		103,065
Special income		
Gain on sale of fixed assets	11,016	
Reversal of allowance for doubtful accounts	222	
Gain on sale of investment securities	2,313	
Gain on change in equity	72,654	
Reversal of reserve for repair and maintenance of vending machines	787	
Compensation for expropriation	9,591	96,585
Special expenses		
Loss on disposal of fixed assets	5,320	
Loss on sale of fixed assets	322	
Loss on impairment	3,564	
Loss on devaluation of investment securities	5,878	
Loss on sale of investment securities	607	
Business restructuring expense	3,451	
Loss of equity method investments	3,180	
Amortization of goodwill	1,531	
Loss on liquidation of business	2,714	
Expenses for integration	4,643	
Non-recurring depreciation on fixed assets	762	
Compensation for damages	1,937	33,915
Income before income taxes and minority interests		165,735
Income taxes — current	64,026	
Income taxes — deferred	4,366	68,392
Minority interests		17,160
Net income		80,182

*Amounts are stated by omitting fractions less than ¥1 million.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(From January 1, 2008 to December 31, 2008)

(millions of yen)

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

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

*Amounts are stated by omitting fractions less than ¥1 million.

FOOT NOTES

Significant Accounting Policies

1. Scope of consolidation

(1) Consolidated subsidiaries: 371 companies

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

The changes of the scope of consolidation are as follows:

- (a) Due to additional acquisition of shares, former Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.), an affiliated company accounted for by the equity method until the previous fiscal year, became a consolidated subsidiary. Consequently, 23 subsidiaries of former Kyowa Hakko Kogyo Co., Ltd. were included in the consolidation scope.
 - (b) Due to new establishment, 1 subsidiary of Kyowa Hakko Kirin Co., Ltd., 1 subsidiary of Kirin Beverage Co. Ltd., and 1 subsidiary of Kirin Food-Tech Co., Ltd. became consolidated subsidiaries.
 - (c) Due to new acquisition, 3 subsidiaries of Kirin Beverage Co. Ltd., 16 subsidiaries of Lion Nathan Ltd., and Dairy Farmers Limited and 15 subsidiaries of Kirin Holdings (Australia) Pty Ltd became consolidated subsidiaries.
 - (d) Due to sale of shares, 2 subsidiaries of Kirin Agribio EC B.V., 1 subsidiary of Lion Nathan Ltd., and 1 subsidiary of Kirin Holdings (Australia) Pty Ltd were excluded from the consolidation scope.
 - (e) Due to completion of liquidation, 1 subsidiary of Mercian Corporation and 29 subsidiaries of Lion Nathan Ltd. were excluded from the consolidation scope.
 - (f) Due to merger, former Kirin Pharma Company, Limited (now Kyowa Hakko Kirin Co., Ltd.) and 1 subsidiary of Kirin Brewery Company, Limited were excluded from the consolidation scope.
- (2) Major unconsolidated subsidiary: Koiwai Shokuhin Corporation
Certain subsidiaries including Koiwai Shokuhin Corporation were excluded from the consolidation scope because the effect of their total assets, sales, net income or losses (amount corresponding to interests), and retained earnings (amount corresponding to interests) on the accompanying consolidated financial statements are immaterial.

2. Application of equity method

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

Unconsolidated subsidiary: Japan Synthetic Alcohol Co., Ltd.

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

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

Major affiliated company: San Miguel Corporation

The changes of the scope of application of the equity method are as follows:

- (a) Due to additional acquisition of shares, former Kyowa Hakko Kogyo Co., Ltd. became a

consolidated subsidiary and was excluded from the scope of application of the equity method. Following this change, 4 affiliates of former Kyowa Hakko Kogyo Co., Ltd. became affiliates accounted for by the equity method.

- (b) Due to new acquisition, 2 affiliates of Kirin Holdings (Australia) Pty Ltd became affiliates accounted for by the equity method.
- (3) Certain investments in unconsolidated subsidiaries including Koiwai Shokuhin Corporation and affiliates including Diamond Sports Club Co., Ltd. were not accounted for by the equity method, and were stated at cost because the effect of their net income or losses and retained earnings on the accompanying consolidated financial statements as well as their overall effects are immaterial.
- (4) Where fiscal year-ends of the affiliated companies accounted for by the equity method are different from that of the Company, the Company mainly used their financial statements as of their fiscal year-ends.
- (5) In an effort to respond to the demands for expediting the process of business performance disclosure and in consideration of the difficult situation to calculate equity in earnings of affiliates using its final figures from the year ended December 31, 2008, the Company has calculated equity in earnings of San Miguel Corporation based on the financial statements for 12 months from the fourth quarter of the previous fiscal year to the third quarter of the fiscal year.

3. Fiscal year-ends of the consolidated subsidiaries

The major consolidated subsidiaries whose fiscal year-ends are different from that of the Company are Kyowa Hakko Kirin Co., Ltd. (March 31), Lion Nathan Ltd. (September 30), Kirin Agribio Inc. (September 30) and Kirin Agribio EC B.V. (September 30). For Kyowa Hakko Kirin Co., Ltd., the Company used the financial statements based on preliminary statements as of its fiscal year-ends and for the years then ended for consolidation.

For Lion Nathan Ltd., Kirin Agribio Inc. and Kirin Agribio EC B.V., the Company used the financial statements of the companies as of their fiscal year-ends and for the years then ended for consolidation and the Company made necessary adjustments for major transactions between the fiscal year-ends of the consolidated subsidiaries and the fiscal year-end of the Company.

4. Accounting policies

(1) Valuation of major assets

(a) Valuation of securities

- 1) Held-to-maturity debt securities are stated at amortized cost.
- 2) Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average method.
- 3) Available-for-sale securities without fair market value are stated at the moving-average cost.

(b) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(c) Valuation of inventories

- 1) Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the periodic average method.
 - 2) Raw materials, containers and supplies are mainly stated at cost determined by the moving-average method.
 - 3) Construction in process is stated at cost determined by the specific identification method.
- (2) Depreciation and amortization of fixed assets
- (a) Depreciation of property, plant and equipment
 - 1) Depreciation is calculated using the declining-balance method except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method.
 - 2) Depreciation for several consolidated subsidiaries is calculated using the straight-line method.

(Additional information)

Due to the revision of the Corporation Tax Law, for property, plant and equipment acquired on or before March 31, 2007, and whose book values have been reduced to 5% of the acquisition price by a depreciation method based on the pre-revision Corporation Tax Law, the difference between the equivalent of 5% of acquisition price and a memorandum price is depreciated in equal amounts over the five-year period beginning with the year following the year when the book value reached 5%. However, the Company and certain consolidated subsidiaries adopt this method for property, plant and equipment acquired on or before June 30, 2007.

As a result, compared to the previous method, operating income, ordinary income and income before income taxes and minority interests decreased by ¥2,263 million, ¥2,266 million and ¥2,266 million, respectively.
 - (b) Amortization of intangible assets
 - 1) The Company and consolidated domestic subsidiaries amortize intangible assets using the straight-line method.
 - 2) Consolidated overseas subsidiaries mainly adopt the straight-line method over 20 years.
- (3) Method of providing major allowances and reserves
- (a) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide allowance for doubtful accounts in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses.
 - (b) Allowance for employees' bonuses

The Company and consolidated subsidiaries provide allowance for employees' bonuses based on the estimated amounts of payment.
 - (c) Allowance for bonuses for directors and corporate auditors

The Company and consolidated subsidiaries provide allowance for bonuses for directors and corporate auditors based on the estimated amounts of payment.
 - (d) Employees' pension and retirement benefits

The Company and consolidated subsidiaries provide allowance for employees' pension and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Prior service cost is amortized on the straight-line method over mainly periods between 5 and 15 years. Actuarial differences are amortized by the straight-line method over mainly periods between 10 and 15 years, both beginning from the following fiscal year of recognition.
 - (e) Retirement benefits for directors and corporate auditors

Provision for retirement benefits for directors and corporate auditors represents 100% of

such retirement benefit obligations as of the balance sheet date calculated in accordance with policies of consolidated subsidiaries.

(f) Reserve for repair and maintenance of vending machines

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

(g) Reserve for loss on repurchase of land

The Company provides the reserve at an amount deemed necessary to cover the possible loss related to repurchase of land, which was sold to the Organization for Promoting Urban Development in September 1998, and the estimated loss for land improvement and other.

(4) Hedge accounting

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and consolidated subsidiaries defer recognition of gains and losses resulting from changes in fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.

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

(a) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

- 1) the difference, if any, between the amount in Japanese yen of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statement of income in the period which includes the inception date, and
- 2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

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

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(5) Consumption taxes

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

5. 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 when the Company acquired control of the respective subsidiaries.

6. Goodwill

Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheet and amortized using the straight-line method over periods between 10 and 20 years. If the amount is immaterial, it is fully recognized as expenses as incurred.

Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of Property, Plant and Equipment	¥1,261,379 million
2. Amount reduced from fixed assets due to government subsidy received and others	¥673 million
3. Assets pledged as collateral and secured borrowings	
(1) Assets pledged as collateral	
Cash	¥14 million
Buildings and structures	¥1,239 million
Machinery, equipment and vehicles	¥674 million
Land	¥1,863 million
Investment securities	¥955 million
Other of investments and other assets	<u>¥1 million</u>
	Total ¥4,750 million
(2) Secured borrowings	
Other of current liabilities	¥3,060 million
Long-term debt (including current maturities of long-term debt)	¥699 million
Deposits received	<u>¥3,408 million</u>
	Total ¥7,169 million
4. Contingent liabilities	
(1) Guarantees for loan from banks and other of unconsolidated subsidiaries and affiliates	¥5,695 million
(2) Guarantees for loan from banks and other of employees	¥5,456 million
(3) Guarantees for loan from banks and other of customers	<u>¥1,802 million</u>
	Total ¥12,954 million
	(arrangements similar to guarantees of ¥91 million are included in the above.)
5. Trade notes discounted	¥66 million

Notes to the Consolidated Statement of Income

1. Foreign currency translation loss

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

2. Gain on change in equity

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

Notes to the Consolidated Statement of Changes in Net Assets

1. Type and number of shares outstanding and treasury stock

(1) Shares outstanding

<u>Type of shares outstanding</u>	<u>common stock</u>
Number of shares as of December 31, 2007	984,508,387 shares
Number of shares increased during the accounting period ended December 31, 2008	-
Number of shares decreased during the accounting period ended December 31, 2008	-
Number of shares as of December 31, 2008	984,508,387 shares

(2) Treasury stock

<u>Type of treasury stock</u>	<u>common stock</u>
Number of shares as of December 31, 2007	29,779,060 shares
Number of shares increased during the accounting period ended December 31, 2008	883,269 shares
Number of shares decreased during the accounting period ended December 31, 2008	504,415 shares
Number of shares as of December 31, 2008	30,157,914 shares

- Notes: 1. Increase in the number of shares was due to purchases of less-than-one-unit shares.
2. Decrease in the number of shares was due to sales of less-than-one-unit shares.

2. Matters related to dividends

(1) Dividend payment

Approvals by ordinary general meeting of shareholders held on March 26, 2008 are as follows:

*Dividends on Common stock

- | | |
|------------------------------|-------------------|
| a. Total amount of dividends | ¥11,456 million |
| b. Dividends per share | ¥12.00 |
| c. Record date | December 31, 2007 |
| d. Effective date | March 27, 2008 |

Approvals by the Board of Directors meeting on August 4, 2008 are as follows:

*Dividends on Common stock

- | | |
|------------------------------|-------------------|
| a. Total amount of dividends | ¥10,975 million |
| b. Dividends per share | ¥11.50 |
| c. Record date | June 30, 2008 |
| d. Effective date | September 8, 2008 |

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2008 but to be effective after the said accounting period

We will seek approval at general meeting of shareholders to be held on March 26, 2009 as follows:

*Dividends on Common stock

- | | |
|------------------------------|-------------------|
| a. Total amount of dividends | ¥10,975 million |
| b. Funds for dividends | Retained earnings |
| c. Dividends per share | ¥11.50 |
| d. Record date | December 31, 2008 |
| e. Effective date | March 27, 2009 |

Notes to Per Share Information

1. Net assets per share:	¥972.19
2. Net income per share:	¥84.01

Notes to Subsequent Events

There is no matter that fall under this item.

Notes to Other Information

1. Notes on business combination (Application of purchase method)

The Company, former Kirin Pharma Company, Limited (now Kyowa Hakko Kirin Co., Ltd.; "Kirin Pharma"), and former Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin Co., Ltd.; "Kyowa Hakko Kogyo") have executed a share exchange resulting in Kyowa Hakko Kogyo becoming the absolute parent company, and Kirin Pharma becoming a wholly owned subsidiary of Kyowa Hakko Kogyo (the "Share Exchange") with an effective date of April 1, 2008.

As the Company became a parent company of Kyowa Hakko Kogyo through the Share Exchange, the transaction was to be accounted for as a "reverse acquisition," with Kirin Pharma as the acquiring company and Kyowa Hakko Kogyo as the acquired company and the purchase method being applied based on Accounting Standard for Business Combinations (ASBJ) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10).

Kyowa Hakko Kirin Co., Ltd. was created as a result of an absorption-type merger on October 1, 2008, with Kyowa Hakko Kogyo as the surviving company and Kirin Pharma as the merging company, with the former changing its trade name. For this absorption-type merger, Kyowa Hakko Kirin Co., Ltd. applied the "Accounting treatment for transactions under common control."

(1) Legal description of business combination

Share exchange resulting in Kyowa Hakko Kogyo becoming the absolute parent company, and Kirin Pharma becoming a wholly owned subsidiary of Kyowa Hakko Kogyo by purchasing shares of common stock of Kyowa Hakko Kogyo through the tender offer, the Company acquired a share of 27.95% of total issued shares of Kyowa Hakko Kogyo. As part of the subsequent Share Exchange, Kyowa Hakko Kogyo issued shares of common stock to Kirin Pharma's parent company, the Company, to make the Company a parent company of Kyowa Hakko Kogyo that owns shares equivalent to 50.10% of total issued shares of Kyowa Hakko Kogyo.

(2) Share of voting rights acquired by the Company 50.77%

(3) Period of operation of acquired company included in consolidated financial statements April 1, 2008 to December 31, 2008

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

(4) Acquisition cost of acquired company

Acquisition cost ¥272,743 million

(5) Amount of goodwill and method and period of amortization

(a) Amount of goodwill

¥128,868 million

(b) Method and period of amortization

Straight-line method over a period of 20 years

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

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

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

2. Matters relating to expropriation etc.

In the fiscal year, Kirin Brewery Co., Ltd. entered into a sales contract of the land of its Yokohama Plant and a compensation contract for the transfer of the plant’s equipment and other, with Metropolitan Expressway Co., Ltd. related to the expressway construction.

The gain on sale of land and the compensation margin for the property transfer due to the expropriation are recorded in “Compensation for expropriation” of “Special income.”

“Reserve for deferred gain on sale of property” for assets subject to advanced depreciation that were acquired in the fiscal year, and “Reserve for special account for deferred gain on sale of property” for assets planned to be acquired in or after the following fiscal year, are respectively included in “Retained earnings” of “Shareholders’ Equity.”

BALANCE SHEET

(As of December 31, 2008)

(millions of yen)

<u>Assets</u>	
Current Assets	<u>229,181</u>
Cash	20,866
Accounts receivable, trade	328
Short-term loans receivable	182,569
Income tax receivable	9,070
Consumption tax receivable	8,140
Deferred tax assets	3,215
Other	10,545
Allowance for doubtful accounts	(5,554)
Fixed Assets	<u>1,174,700</u>
Property, Plant and Equipment	<u>81,080</u>
Buildings	36,541
Structures	2,076
Machinery and equipment	272
Vehicles	28
Tools	2,704
Land	26,717
Construction in progress	12,738
Intangible Assets	<u>87</u>
Leasehold rights	60
Trademarks	9
Utility rights	17
Investments and Other Assets	<u>1,093,533</u>
Investment securities	124,442
Investments in subsidiaries and affiliates (capital stock)	756,271
Investments in equity of subsidiaries and affiliate (other than capital stock)	18,620
Long-term loans receivable	141,415
Deferred tax assets	22,861
Currency swap	20,085
Other	19,733
Allowance for doubtful accounts	(9,897)
<hr/>	
Total Assets	<u>1,403,882</u>
<hr/>	

Liabilities

Current Liabilities	<u>191,156</u>
Notes payable, trade	120
Short-term loans payable and long-term debt with current maturities	141,299
Bonds due within one year	40,000
Other accounts payable	5,077
Accrued expenses	2,582
Income taxes payable	1,052
Allowance for employees' bonuses	506
Allowance for bonuses for directors and corporate auditors	137
Other	381
Long-term Liabilities	<u>394,578</u>
Bonds	199,941
Long-term debt	167,082
Employees' pension and retirement benefits	263
Reserve for loss on repurchase of land	1,068
Other	26,223
Total Liabilities	<u>585,734</u>

<u>Net Assets</u>	
Shareholders' Equity	<u>801,849</u>
Common stock	102,045
Capital surplus	<u>71,536</u>
Additional paid-in capital	70,868
Other capital surplus	668
Retained earnings	<u>657,325</u>
Legal reserve	25,511
Other retained earnings	<u>631,813</u>
Reserve for special depreciation	27
Reserve for deferred gain on sale of property	1,336
General reserve	554,367
Retained earnings brought forward	76,081
Treasury stock, at cost	(29,058)
Valuation and translation adjustments	<u>16,298</u>
Net unrealized holding gains on securities	16,306
Deferred gains or losses on hedges	(7)
<hr/>	
Total Net Assets	818,147
<hr/>	
Total Liabilities and Net Assets	1,403,882
<hr/>	

*Amounts are stated by omitting fractions less than ¥1 million.

STATEMENT OF INCOME

(From January 1, 2008 to December 31, 2008)

(millions of yen)

Operating revenue		
Group management revenue	13,075	
Revenue from real estate business	5,735	
Dividends revenue from subsidiaries and affiliates	55,725	74,536
	<hr/>	
Operating expenses		
Expenses on real estate business	2,947	
General and administrative expenses	18,093	21,041
	<hr/>	
Operating income		53,495
Non-operating income		
Interest and dividend income	11,044	
Other income	3,281	14,325
	<hr/>	
Non-operating expenses		
Interest expenses	10,310	
Other expenses	10,436	20,746
	<hr/>	
Ordinary income		47,074
Special income		
Gain on sale of fixed assets	4,143	
Gain on sale of investment securities	2,250	
Compensation for expropriation	332	6,726
	<hr/>	

Special expenses		
Loss on sale and disposal of fixed assets	491	
Loss on impairment	187	
Loss on devaluation of investment securities	9	
Loss on sale of investment securities	600	
Loss on devaluation of investments in subsidiaries and affiliates	22,902	
Doubtful accounts expense on receivables from subsidiaries and affiliates	2,649	26,841
		<hr/>
Income before income taxes		26,959
Income taxes - current		6,300
Income taxes - deferred		(7,024)
		<hr/>
Net income		27,684
		<hr/>

*Amounts are stated by omitting fractions less than ¥1 million.

STATEMENT OF CHANGES IN NET ASSETS

(From January 1, 2008 to December 31, 2008)

(millions of yen)

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

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

*Amounts are stated by omitting fractions less than ¥1 million.

FOOT NOTES

Significant Accounting Policies

1. Valuation of securities

- (a) Equity securities issued by subsidiaries and affiliates are stated at cost determined by the moving-average method.
- (b) Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average method.
- (c) Available-for-sale securities without fair market value are stated at the moving-average cost.

2. Derivative financial instruments

Derivative financial instruments are stated at fair value.

3. Depreciation and amortization of fixed assets

- (a) Depreciation of property, plant and equipment is calculated using the declining-balance method, except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method.

(Additional information)

Due to the revision of the Corporation Tax Law, for property, plant and equipment acquired on or before March 31, 2007, and whose book values have been reduced to 5% of the acquisition price by a depreciation method based on the pre-revision Corporation Tax law, the difference between the equivalent of 5 % of acquisition price and a memorandum price is to be depreciated in equal amounts over the five-year period beginning with the year following the year when the book value reached 5%. However, the Company adopts this method for property, plant and equipment acquired on or before June 30, 2007.

As a result, compared to the previous method, operating income, ordinary income and income before income taxes decreased by ¥76 million, ¥91 million and ¥91 million, respectively.

- (b) Amortization of intangible assets is calculated using the straight-line method.

4. Method of providing major allowances and reserves

(1) Allowance for doubtful accounts

The Company provides allowance for doubtful accounts in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses.

(2) Allowance for employees' bonuses

The Company provides allowance for employees' bonuses based on the estimated amounts of payment.

(3) Allowance for bonuses for directors and corporate auditors

The Company provides allowance for bonuses for directors and corporate auditors based

on the estimated amounts of payment.

(4) Employees' pension and retirement benefits

The Company provides allowance for employees' pension and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Prior service cost is amortized on the straight-line method over 13 years. Actuarial differences are amortized by the straight-line method over 13 years, beginning from the following fiscal year.

(5) Reserve for loss on repurchase of land

The Company provides the reserve at an amount deemed necessary to cover the possible loss related to repurchase of land, which was sold to the Organization for Promoting Urban Development in September 1998, and the estimated loss for land improvement and other.

5. Hedge accounting

- (a) If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains and losses resulting from the changes in fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.
- (b) If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

6. Consumption taxes

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

Notes to the Balance Sheet

1. Monetary debts due from and to subsidiaries and affiliates	
Short-term monetary debts due from subsidiaries and affiliates	¥188,229 million
Long-term monetary debts due from subsidiaries and affiliates	¥152,692 million
Short-term monetary debts due to subsidiaries and affiliates	¥63,049 million
Long-term monetary debts due to subsidiaries and affiliates	¥3,752 million
2. Accumulated depreciation of property, plant and equipment	¥58,812 million
3. Amount reduced from fixed assets due to government subsidy received and others	¥37 million
4. Assets pledged as collateral and secured borrowing	
(1) Assets pledged as collateral	
Buildings	¥660 million
Land	¥439 million

(2) Secured borrowing	
Deposits received	¥2,296 million

5. Contingent liabilities

Guarantees for loan from banks and other of subsidiaries and affiliates	¥21,947 million
Guarantees for employee's housing loan from banks	¥5,249 million
Total	¥27,197 million

(arrangements similar to guarantees of ¥91 million are included in the above.)

Notes to the Statement of Income

- Transactions with subsidiaries and affiliates:

Operating revenue	¥13,942 million
Operating expenses	¥4,353 million
Transactions other than business transactions	¥10,310 million
- Presentation of gain or loss on valuation of currency swaps:

Gain on valuation of currency swaps (¥23,541 million) that are carried to hedge the foreign exchange rates fluctuation risks for loans receivable in foreign currency is presented in "Other income" of "Non-operating income" after offsetting foreign currency translation loss.

Notes to the Statement of Changes in Net Assets

Type and number of shares of treasury stock	
Type of treasury stock	Common stock
Number of shares as of December 31, 2007	29,778,801 shares
Number of shares increased during the accounting period ended December 31, 2008	883,269 shares
Number of shares decreased during the accounting period ended December 31, 2008	504,415 shares
Number of shares as of December 31, 2008	30,157,655 shares

- Notes:
- Increase in the number of shares was due to purchases of less-than-one-unit shares.
 - Decrease in the number of shares was due to sales of less-than-one-unit shares.

Notes to Deferred Income Taxes

1. Significant components of deferred tax assets	
Shares of subsidiaries and affiliates and investments in equity of subsidiaries and affiliates	¥51,901 million
Allowance for doubtful accounts	¥5,904 million
Other	¥7,942 million
Sub total	¥65,747 million
Less valuation allowance	(¥26,860 million)
Total deferred tax assets	¥38,886 million
2. Significant components of deferred tax liabilities	
Net unrealized holding gains on securities	(¥11,191 million)
Other	(¥1,617 million)
Total deferred tax liabilities	(¥12,809 million)

Notes to Transaction with Related Parties

Status	Company name	Ratio of voting rights held by the Company [Indirect ownership]	Relationship with the Company	
			Directors and corporate auditors	Business relationship
Subsidiary	Kirin Holdings (Australia) Pty Ltd (Note 1)	100%	Transferred 1	Financial support
Subsidiary	Kirin Brewery Co., Ltd.	100%	Concurrent 1	Consignment of management guidance service Lending and borrowing funds
Subsidiary	Kirin Beverage Co., Ltd.	100%	Concurrent 1	Consignment of management guidance service Lending and borrowing funds
Subsidiary	Kyowa Hakko Kirin Co., Ltd. (Note 2)	51%	Concurrent 1	Lending and borrowing funds

Status	Company name	Transaction details	Transaction amount (millions of yen)	Item	Balance at end of period (millions of yen)
Subsidiary	Kirin Holdings (Australia) Pty Ltd (Note 1)	Lending of loans (Note 3)	71,996	Long-term loans receivable	132,229
		Interest income (Note 3)	6,430	Other current assets	1,425
		Underwriting of capital increase (Note 4)	46,303	-	-
Subsidiary	Kirin Brewery Co., Ltd.	Lending of loans (Notes 3 and 6)	2,379	Short-term loans receivable	160,040
		Borrowing of funds (Notes 5 and 6)	201,253	Short-term loans payable	-
		Management fees Brand royalties (Notes 7 and 8)	9,461	Other current assets	2,686
Subsidiary	Kirin Beverage Co., Ltd.	Borrowing of funds (Notes 5 and 6)	19,669	Short-term loans payable	5,572
Subsidiary	Kyowa Hakko Kirin Co., Ltd. (Note 2)	Borrowing of funds (Notes 5 and 6)	9,978	Short-term loans payable	19,708

Conditions of transactions and policy regarding determination of conditions of transactions.

Notes:

1. Kirin Holdings (Australia) Pty Ltd (Common stock: 2,023 million Australian dollars) is the holding company of National Foods Limited.
2. Kyowa Hakko Kirin Co., Ltd. was created as a result of a merger on October 1, 2008, with former Kyowa Hakko Kogyo Co., Ltd. and former Kirin Pharma Company, Limited and with the former changing its trade name. Transaction amount above include the amounts of transactions with the two companies before merger.
3. Interest rates of loans receivable are determined rationally by taking market interest rates into consideration.
4. The Company has subscribed the capital increase of Kirin Holdings (Australia) Pty Ltd.
5. Interest rates of loans payable are determined rationally by taking market interest rates into consideration.
6. Lending and borrowing of funds is a transaction based on CMS (Cash Management System) and transaction amounts show average outstanding balance during this fiscal year.
7. Management fees are determined rationally by taking business nature into consideration after mutual consultation.
8. Brand royalties are determined as consideration for the use of brand after mutual consultation.
9. Transaction amounts above do not include foreign exchange gains or losses, but balances at end of period include those. Transaction amounts do not include consumption taxes.

Notes to Per Share Information

1. Net assets per share:	¥857.28
2. Net income per share:	¥29.00

Notes to Subsequent Events

There is no matter that fall under this item.

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

February 13, 2009

The Board of Directors
Kirin Holdings Company, Limited

KPMG AZSA & Co.

Shozo Tokuda (Seal)
Designated and Engagement Partner
Certified Public Accountant

Masakazu Hattori (Seal)
Designated and Engagement Partner
Certified Public Accountant

Yoshiyuki Yamasaki (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and footnotes of Kirin Holdings Company, Limited as of December 31, 2008 and for the year from January 1, 2008 to December 31, 2008 in accordance with Article 444(4) of the Corporate Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above present fairly, in all material respects, the financial position and the results of operations of Kirin Holdings Company, Limited and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Independent Auditors' Report

February 13, 2009

The Board of Directors
Kirin Holdings Company, Limited

KPMG AZSA & Co.

Shozo Tokuda (Seal)
Designated and Engagement Partner
Certified Public Accountant

Masakazu Hattori (Seal)
Designated and Engagement Partner
Certified Public Accountant

Yoshiyuki Yamasaki (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and footnotes, and its supporting schedules of Kirin Holdings Company, Limited as of December 31, 2008 and for the 170th business year from January 1, 2008 to December 31, 2008 in accordance with Article 436, paragraph 2 (1) of the Corporate Law. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Kirin Holdings Company, Limited for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Corporate Auditors' Report

February 17, 2009

Mr. Kazuyasu Kato,
President
Kirin Holdings Company, Limited

Board of Corporate Auditors
Kirin Holdings Company, Limited

Hitoshi Oshima (Seal)
Standing Corporate Auditor

Tetsuo Iwasa (Seal)
Standing Corporate Auditor

Toyoshi Nakano (Seal)
Outside Corporate Auditor

Teruo Ozaki (Seal)
Outside Corporate Auditor

Kazuo Tezuka (Seal)
Outside Corporate Auditor

We the Board of Corporate of Auditors of the Company, based on the audit reports prepared by each Corporate Auditor regarding the performance of duties by the Directors during the 170th business year from January 1, 2008, to December 31, 2008, prepared this audit report upon deliberation and hereby report, by a unanimous show of hands, as follows:

1. Audit Methods by Corporate Auditors and the Board of Corporate Auditors and its Details

The Board of Corporate Auditors established audit policy of this term, planning of audits, etc., and received reports from each Corporate Auditor regarding the state of implementation of his or her audits and results thereof, as well as received reports from the Directors, etc., and Independent Auditors regarding performance of their duties, and sought explanations whenever necessity arose.

Each Corporate Auditor complied with the auditing standards of Corporate Auditors established by the Board of Corporate Auditors, in accordance with the audit policy of this term, planning of audits, etc., communicated with the Directors, the internal audit department, other employees, etc., and made efforts to collect information and improve audit environment, and attended meetings of the Board of Directors and other important meetings, received reports from the Directors, employees, etc., regarding the state of performance of their duties, sought explanations whenever necessity arose, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and other main business offices of the Company. In addition, we monitored and verified the system for ensuring that the performance of duties by the Directors conforms to the laws, regulations and Articles of Incorporation, as well as the resolutions of the Board of Directors regarding the improvement of the system stipulated in Article 100, paragraph 1 and paragraph 3 of the Regulations for Enforcement of the Corporation Law and the status of the system (internal controls system) based on the resolutions, which are necessary for ensuring an appropriateness of operations of a joint stock corporation. With respect to subsidiaries, we communicated and exchanged information with directors, corporate auditors, etc., of the subsidiaries, and visited subsidiaries whenever necessity arose to make investigation into the state of activities and property thereof. Based on the above methods, we examined the business report and supporting schedules for the relevant business year.

Furthermore, we monitored and verified whether the Independent Auditors maintained their independence and implemented appropriate audits, and we received reports from the Independent Auditors regarding the state of performance of their duties and sought explanations whenever necessity arose. In addition, we received notice from the Independent Auditors that “The systems for ensuring the proper performance of duties” (matters set forth in each Item of Article 159 of the Regulations of Corporate Financial Calculation) is organized in accordance with the “Standers for Quality Control of Audit” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations whenever necessity arose. Based on the above methods, we examined the financial statements (balance sheet, statement of income, statement of changes in net assets, and foot notes) and supporting schedules related to the relevant business term, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and foot notes).

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

1. In our opinion, the business report and supporting schedules fairly presents the state of the Company in accordance with the laws, regulations and Articles of Incorporation.
2. In connection with the performance by the Directors of their duties, no dishonest act or material fact of violation of laws, regulations, or the Articles of Incorporation exists.
3. In our opinion, the contents of the resolutions of the Board of Directors regarding the internal controls system are fair and reasonable. In addition, we have found nothing to be pointed out in relation to the performance of duties by the Directors regarding the internal controls system.

(2) Results of Audit of financial statements and supporting schedules

In our opinion, the methods and results of audit conducted by the Independent Auditors, KPMG AZSA & Co. are proper.

(3) Results of Audit of consolidated financial statements

In our opinion, the methods and results of audit conducted by the Independent Auditors, KPMG AZSA & Co. are proper.

Reference Documents for the General Meeting of Shareholders

Propositions and information:

Proposition No. 1: Dividend and disposition of surplus

1. Dividend of surplus

We consider the appropriate return of profits to shareholders as one of the most important management issues.

In due consideration of the Company's current results, the dividend payout ratio, the future management measures, and the Company's practice of providing stable dividends to shareholders, management proposes the payment of an ordinary dividend of ¥11.50 per share, as set forth hereunder. As a result, the annual dividend will amount to ¥23 per share (an increase of ¥2 per share compared to the annual dividend paid in the previous term), including an interim dividend of ¥11.50 per share.

- (1) Matters related to the allocation of distributable profit to shareholders and the total amount thereof

¥11.50 per share of the Company's common shares Total amount: ¥10,975,033,418

- (2) Effective date of dividend of surplus

March 27, 2009

2. Disposition of surplus

- (1) Account title of increased surplus and the amount thereof

Retained earnings brought forward ¥14,000,000,000

- (2) Account title of decreased surplus and the amount thereof

General reserve ¥14,000,000,000

Proposition No. 2: Partial amendments to the Articles of Incorporation

1. Reasons for the amendments

Following the dematerialization of share certificates due to the enforcement of the "Law for Partial Amendments to the Law Concerning Book-entry Transfer of Corporate Bonds and Other Securities for the Purpose of Streamlining the Settlement for Trade of Stocks and Other Securities" (Law No. 88 of 2004), the Company will make necessary deletions, amendments, etc. to the clauses and language of the provisions relating to share certificates, beneficial shareholders and the beneficial shareholder register as well as other related provisions of the current Articles of Incorporation. The Company will also establish provisions necessary for provisional measures relating to the register of lost share certificates as Supplementary Provisions.

In addition, following the deletion of Articles 6 and 13 of the Articles of Incorporation

due to the above amendments, the numbering of articles from Article 7 onward will be moved up.

2. Details of the amendments

The details of the amendments in the Articles of Incorporation are as follows:

(Amended text is shown underlined.)

Current Text	Proposed Text
<p><u>(Issuance of share certificates)</u> <u>Article 6. The Company shall issue share certificates for the shares.</u></p> <p><u>Article 7. (Provisions omitted)</u></p> <p>(Number of shares to constitute a unit share <u>and non-issuance of fractional unit share certificates</u>) <u>Article 8. The number of shares to constitute a unit share of the Company (Tangen-kabu) shall be 1,000.</u></p> <p><u>2. The Company shall issue no certificates for fractional unit share; provided, however, that the Company may issue such fractional unit share certificates when the Company finds necessary for the benefit of its shareholders.</u></p> <p>(Additional purchase of fractional unit share) <u>Article 9. Shareholders (including beneficial shareholders; the same applies hereinafter) holding fractional unit share may request the Company to sell the number of shares that will, together with such fractional unit share, constitute one unit share of the Company.</u></p> <p><u>Article 10. (Provisions omitted)</u></p>	<p>(Deleted)</p> <p><u>Article 6. (Unchanged)</u></p> <p>(Number of shares to constitute a unit share)</p> <p><u>Article 7. The number of shares to constitute a unit share of the Company (Tangen-kabu) shall be 1,000.</u></p> <p>(Deleted)</p> <p>(Additional purchase of fractional unit share) <u>Article 8. Shareholders holding fractional unit share may request the Company to sell the number of shares that will, together with such fractional unit share, constitute one unit share of the Company.</u></p> <p><u>Article 9. (Unchanged)</u></p>

Current Text	Proposed Text
<p>(Share Handling Regulations) <u>Article 11.</u> The denominations of share certificates, handling relating to shares, and share subscription rights together with the fees therefor and procedures for the exercise of shareholders' rights shall be governed by the provisions of the relevant laws and regulations or the Articles of Incorporation of the Company and the Share Handling Regulations to be established by the Board of Directors.</p> <p>(Shareholder register administrator) <u>Article 12.</u> The Company shall have a shareholder register administrator with respect to shares. 2. The shareholder register administrator and its business office shall be determined by resolution of the Board of Directors and public notice shall be given thereof. 3. The preparation and maintenance of the shareholder register <u>(including beneficial shareholder register; the same applies hereinafter), the register of lost share certificates and</u> the register of share subscription rights of the Company and other businesses relating to shares and share subscription rights shall be entrusted to the shareholder register administrator and not handled by the Company.</p>	<p>(Share Handling Regulations) <u>Article 10.</u> The handling relating to shares, and share subscription rights together with the fees therefor and procedures for the exercise of shareholders' rights shall be governed by the provisions of the relevant laws and regulations or the Articles of Incorporation of the Company and the Share Handling Regulations to be established by the Board of Directors.</p> <p>(Shareholder register administrator) <u>Article 11.</u> The Company shall have a shareholder register administrator with respect to shares. 2. The shareholder register administrator and its business office shall be determined by resolution of the Board of Directors and public notice shall be given thereof. 3. The preparation and maintenance of the shareholder register <u>and</u> the register of share subscription rights of the Company and other businesses relating to shares and share subscription rights shall be entrusted to the shareholder register administrator and not handled by the Company.</p>

Current Text	Proposed Text
<p><u>(Notifications)</u></p> <p><u>Article 13. Shareholders or their legal representatives shall file, in accordance with the Share Handling Regulations, notifications of their names or trade names, addresses and seals; provided, however, that foreign national may substitute specimen signatures for seals.</u></p> <p><u>2. Shareholders or their legal representatives residing in foreign states shall establish their provisional addresses or agents in Japan and file notification of such addresses or agents in accordance with the Share Handling Regulations.</u></p> <p><u>3. The same notification requirements shall apply in case of any change in any of the matters referred to in the preceding two paragraphs.</u></p> <p><u>4. The provisions of the preceding three paragraphs shall apply mutatis mutandis to registered share pledgees.</u></p> <p><u>Article 14. – Article 46. (Provisions omitted)</u></p> <p>(Newly added)</p> <p>(Newly added)</p>	<p>(Deleted)</p> <p><u>Article 12. – Article 44. (Unchanged)</u></p> <p><u>Supplementary Provisions</u></p> <p><u>Article 1. The preparation and maintenance of the register of lost share certificates and other businesses relating to the register of lost share certificates shall be entrusted to the shareholder register administrator and not handled by the Company.</u></p> <p><u>Article 2. The provisions of the preceding Article and this Article shall be deleted as of January 6, 2010.</u></p>

Proposition No. 3: Election of nine (9) Directors

Upon the close of this Ordinary General Meeting of Shareholders, the terms of office of all nine (9) Directors will expire.

Accordingly, shareholders are requested to elect nine (9) Directors.

The candidates for the positions of Director are as follows:

No.	Name (Date of birth)	Profile (Representation of other companies, title and position at the Company)	Number of shares of the Company held by the candidate
1.	Kazuyasu Kato (November 24, 1944)	April 1968 Joined the Company March 1997 General Manager of Hokkaido Regional Head Office March 2000 Director and General Manager of Kyushu Regional Head Office October 2001 Director and General Manager of Sales Dept. of Sales & Marketing Div. March 2002 Director, Vice President of Sales & Marketing Div., and General Manager of Sales Dept. of Sales & Marketing Div. March 2003 Managing Executive Officer and President of Sales & Marketing Div. March 2004 Managing Director, Managing Executive Officer, and President of Sales & Marketing Div. March 2006 Representative Director and President (positions which he continues to hold)	68,425 shares

No.	Name (Date of birth)	Profile (Representation of other companies, title and position at the Company)	Number of shares of the Company held by the candidate
2.	Kazuhiro Sato (February 14, 1948)	<p>April 1970 Joined the Company</p> <p>March 2000 General Manager of Finance & Accounting Dept.</p> <p>March 2002 Director and General Manager of Finance & Accounting Dept.</p> <p>March 2003 Executive Officer and General Manager of Finance & Accounting Dept.</p> <p>March 2004 Managing Director and Managing Executive Officer</p> <p>March 2006 Managing Director</p> <p>March 2007 Representative Director and Executive Vice President (positions which he continues to hold)</p> <p>[Responsible for Group Personnel & General Affairs Strategy and Internal Control and Internal Audit]</p>	35,000 shares

No.	Name (Date of birth)	Profile (Representation of other companies, title and position at the Company)	Number of shares of the Company held by the candidate
3.	Etsuji Tawada (June 28, 1950)	<p>April 1973 Joined the Company</p> <p>March 1998 General Manager of Technology Development Dept. of Production Div.</p> <p>March 2005 Executive Officer, General Manager of Strategic Research & Development Dept., and General Manager of Central Laboratories for Frontier Technology</p> <p>March 2006 Managing Executive Officer, General Manager of Strategic Research & Development Dept., and General Manager of Central Laboratories for Frontier Technology</p> <p>March 2007 Managing Director (a position which he continues to hold)</p> <p>[Responsible for Group R&D Strategy and Group Information Strategy]</p>	23,000 shares

No.	Name (Date of birth)	Profile (Representation of other companies, title and position at the Company)	Number of shares of the Company held by the candidate
4.	Yoshiharu Furumoto (January 30, 1950)	<p>April 1973 Joined the Company</p> <p>April 2002 General Manager of Spirits & Wine Dept. of Sales & Marketing Div.</p> <p>September 2003 Assistant to General Manager of Sales & Marketing Div.</p> <p>March 2004 Executive Officer and General Manager of Corporate Planning Dept.</p> <p>March 2006 Executive Officer and General Manager of Group Strategy Dept.</p> <p>March 2007 Managing Executive Officer and General Manager of Strategic Planning Dept.</p> <p>March 2008 Managing Director (a position which he continues to hold)</p> <p>[Responsible for Group Financial Strategy and PR & IR Strategy]</p>	16,000 shares

No.	Name (Date of birth)	Profile (Representation of other companies, title and position at the Company)	Number of shares of the Company held by the candidate
5.	Yuzuru Matsuda (June 25, 1948)	<p>April 1977 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p>June 2002 Managing Director of Kyowa Hakko Kogyo Co., Ltd.</p> <p>June 2003 President and Representative Director of Kyowa Hakko Kogyo Co., Ltd.</p> <p>March 2008 Director of the Company (a position which he continues to hold)</p> <p>October 2008 President & Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd. (an office which he holds now)</p> <p>[President & Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd.]</p>	0 shares

No.	Name (Date of birth)	Profile (Representation of other companies, title and position at the Company)	Number of shares of the Company held by the candidate
6.	Senji Miyake (January 26, 1948)	<p>April 1970 Joined the Company</p> <p>March 1997 General Manager of Sales Promotion for On-Premise Dept. 1 of Sales & Marketing Div.</p> <p>September 1998 General Manager of Sales Dept. of Sales & Marketing Div.</p> <p>March 2000 General Manager of Off-Premise Sales Dept. of the Metropolitan Regional Sales & Marketing Div.</p> <p>October 2001 General Manager of the Tokai Regional Sales & Marketing Div.</p> <p>March 2002 Director and General Manager of the Tokai Regional Sales & Marketing Div.</p> <p>March 2003 Executive Officer and General Manager of the Tokai Regional Sales & Marketing Div.</p> <p>March 2004 Managing Executive Officer and General Manager of the Metropolitan Regional Sales & Marketing Div.</p> <p>March 2005 Managing Executive Officer and General Manager of the Metropolitan Regional Sales & Marketing Div.</p> <p>March 2006 Managing Executive Officer and President of Beer, Wine, and Spirits Div.</p>	49,000 shares

No.	Name (Date of birth)	Profile (Representation of other companies, title and position at the Company)	Number of shares of the Company held by the candidate
		<p>July 2007 Representative Director and President of Kirin Brewery Co., Ltd. (positions which he continues to hold)</p> <p>[Representative Director and President of Kirin Brewery Co., Ltd. (scheduled to retire on March 26, 2009)]</p>	

No.	Name (Date of birth)	Profile (Representation of other companies, title and position at the Company)	Number of shares of the Company held by the candidate
7.	Yuji Owada (May 28, 1951)	<p>April 1974 Joined the Company</p> <p>March 2002 General Manager of Purchasing Dept.</p> <p>March 2004 General Manager of Toride Plant</p> <p>March 2005 Executive Officer and General Manager of Toride Plant</p> <p>March 2006 Executive Officer and General Manager of Production Dept. of Beer, Wine, and Spirits Div.</p> <p>March 2007 Managing Executive Officer and General Manager of Production Dept. of Beer, Wine, and Spirits Div.</p> <p>July 2007 Managing Director and General Manager of Production Div. of Kirin Brewery Co., Ltd. (positions which he continues to hold)</p>	11,000 shares

No.	Name (Date of birth)	Profile (Representation of other companies, title and position at the Company)	Number of shares of the Company held by the candidate
8.	Satoru Kishi (March 29, 1930)	<p>April 1953 Joined The Mitsubishi Bank Limited</p> <p>February 1992 Executive Vice President and Representative Director of The Mitsubishi Bank Limited</p> <p>April 1996 Executive Vice President and Representative Director of The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>January 1998 President and Representative Director of The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>March 1999 Director of the Company (a position which he continues to hold)</p> <p>June 2000 Chairman and Representative Director of The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>June 2002 Senior Advisor of The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>January 2006 Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>July 2008 Senior Advisor of the Bank of Tokyo-Mitsubishi UFJ, Ltd. (an office which he holds now)</p>	0 shares

No.	Name (Date of birth)	Profile (Representation of other companies, title and position at the Company)	Number of shares of the Company held by the candidate
9.	Akira Gemma (August 1, 1934)	<p>April 1959 Joined Shiseido Company, Limited</p> <p>June 1997 President and Representative Director of Shiseido Company, Limited</p> <p>June 2001 Chairman and Representative Director of Shiseido Company, Limited</p> <p>June 2003 Adviser of Shiseido Company, Limited (an office which he holds now)</p> <p>March 2006 Director of the Company (a position which he continues to hold)</p>	0 shares

- (Notes)
1. Mr. Yuzuru Matsuda is President and Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd., a subsidiary of the Company. Kyowa Hakko Kirin provides short-term loans to the Company in order to promote efficiency in group-wide funding. In addition, real estate leasing, trademark license granting and other relations exist between the two companies.
 2. No conflicts of interest exist between the Company and other candidates.
 3. Mr. Satoru Kishi and Mr. Akira Gemma are candidates for outside Directors, as provided for under Article 2, Paragraph 3, Section 7 of the Regulations for Enforcement of the Corporation Law.
 4. The Company has nominated Messrs. Kishi and Gemma as outside Directors because of its expectation that their considerable experiences acquired over many years as corporate executives will provide valuable opinions and suggestions to the management of the Company.
 5. Mitsubishi Heavy Industries, Ltd., where Mr. Kishi serves as an outside Corporate Auditor, has violated Antimonopoly Law on a public steel bridge construction work, etc. Mr. Kishi did not have a prior knowledge about such facts. At meetings of the Board of Directors and the Board of Corporate Auditors, and also during his auditing activities, Mr. Kishi subsequently expressed his opinions on measures to promote strict legal compliance and to ensure the sound and appropriate operation of the business.
 6. Mr. Kishi receives compensation from The Bank of Tokyo-Mitsubishi UFJ, Ltd., a bank with which the Company has major transactions and for which he serves

as a Senior Advisor.

7. The candidates for outside Directors will have served as outside Directors of the Company for the following number of years (as of the close of this Ordinary General Meeting of Shareholders).

(1) Mr. Satoru Kishi : 10 years

(2) Mr. Akira Gemma : 3 years

Proposition No. 4: Presentation of bonuses to corporate officers

In due consideration of the Company's current consolidated results, the Company proposes the payment of bonuses of ¥96.67 million in total to eight (8) Directors (excluding Mr. Yuzuru Matsuda) out of nine (9) Directors who held office as of the end of the current fiscal year (of which, ¥2 million will be paid to two (2) outside Directors). It also proposes the payment of bonuses of ¥9.76 million in total to five (5) Corporate Auditors who held office as of the end of the current fiscal year (of which, ¥3 million will be paid to three (3) outside Corporate Auditors).

- END -