

# KIRIN BREWERY COMPANY, LIMITED

## SUMMARY OF CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2006 (UNAUDITED)

May 11, 2006

( English Translation )

Fiscal year ending December 31, 2006

### KIRIN BREWERY COMPANY, LIMITED

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

Code No.:	2503
Shares Listed:	Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo
Representative:	Mr. Kazuyasu Kato, President
For further information, please contact:	Mr. Kensuke Suzuki, General Manager, Corporate Communications & IR Group, CSR & Communications Division Telephone: 81- 3- 5540- 3450 from overseas

### 1. Items pertaining to preparation of quarterly consolidated statements of income, etc.

Adoption of simple methods in accounting policies: Yes

The estimated effective tax rate is applied for the computation of income taxes

Change in accounting policies: None

Changes in scope of consolidation and application of equity method:

Consolidation: Increase 1 company      Decrease 3 companies

Equity method: Increase None              Decrease 1 company

### 2. Business results and financial positions for the first quarter of 2006 (January 1, 2006 - March 31, 2006)

[Unit: Japanese yen (¥)]

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

	Sales (¥ millions)	Percentage change (%)	Operating income (¥ millions)	Percentage change (%)	Ordinary income (¥ millions)	Percentage change (%)
First quarter ended March 31, 2006	350,101	12.4	14,286	223.7	15,424	201.5
First quarter ended March 31, 2005	311,431	(4.6)	4,413	(69.7)	5,115	(61.1)
Year ended December 31, 2005	1,632,249		111,708		114,881	

	Net income (¥ millions)	Percentage change (%)	Net income per share (Primary) (¥)	Net income per share (Diluted) (¥)
First quarter ended March 31, 2006	6,369	544.9	6.66	
First quarter ended March 31, 2005	987	(72.3)	1.03	
Year ended December 31, 2005	51,263		53.23	

Notes: Percentage change means the ratio of increase or decrease in each item of business results for the first quarter ended March 31, 2006, to those for the first quarter ended March 31, 2005.

(2) Financial positions:

	Total assets (¥ millions)	Shareholders' equity (¥ millions)	Ratio of shareholders' equity to total assets (%)	Shareholders' equity per share (¥)
March 31, 2006	1,925,976	977,977	50.8	1,022.76
March 31, 2005	1,714,683	847,380	49.4	885.67
December 31, 2005	1,937,866	972,601	50.2	1,016.74

(3) Cash flows:

	Cash flows from operating activities (¥ millions)	Cash flows from investing activities (¥ millions)	Cash flows from financing activities (¥ millions)	Cash and cash equivalents at end of period (¥ millions)
First quarter ended March 31, 2006	(7,264)	(15,563)	47,227	189,755
First quarter ended March 31, 2005	(30,295)	(36,616)	3,737	114,501
Year ended December 31, 2005	104,716	(66,693)	(52,041)	164,800

**3. Forecast of business results for the current fiscal year (January 1, 2006 - December 31, 2006)**

	Sales (¥ millions)	Ordinary income (¥ millions)	Net income (¥ millions)
6 months ending June 30, 2006	771,000	41,000	15,000
Year ending December 31, 2006	1,670,000	118,000	54,000

(Reference) Forecasted net income per share (Year ending December 31, 2006) ¥ 56.47

Forecasted operating income (6 months ending June 30, 2006) ¥ 40,000 millions

Forecasted operating income (Year ending December 31, 2006) ¥ 117,000 millions

(Note) Forecast of business results stated above has not been changed from the forecast disclosed on February 17, 2006.

#### 4 . CONSOLIDATED RESULTS FOR THE FIRST QUARTER OF 2006

Consolidated sales for the first quarter period under review were favorable in each business segment and particularly in the alcohol beverages business, exceeding the results from the previous comparable period. Earnings also increased, as a result of the higher consolidated sales. Consolidated sales for the three-month period ended March 31, 2006 increased 12.4% to ¥350.1 billion, and consolidated operating income for the quarter increased 223.7% to ¥14.2 billion. Consolidated ordinary income increased 201.5% to ¥15.4 billion, and consolidated net income increased 544.9% to ¥6.3 billion.

##### Alcohol Beverages Business

In the domestic alcohol beverages business we are endeavoring to increase the value of the Kirin brand through strengthening our product development and proposal capabilities, while staying closely in tune with customers' needs.

In beer, we continued to undertake initiatives to satisfy our customers. We continued our food-based marketing approach for *Kirin Ichiban Shibori*, appealing to the complementary nature of this beer with various foods and highlighting the unique value and taste of the product. With our *Kirin Lager Beer* brand we commenced a new marketing initiative using the slogan "Times change. Lager doesn't."

In happo-shu, we launched *Kirin Enjuku* in February. This new product draws on the expertise we have developed over 11 years of brewing happo-shu to offer a rich new taste, and has been very well received in the market. Our best-selling *Tanrei* series continues to have a strong hold on the top market position<sup>1</sup>.

In new genre, we renewed *Kirin Nodogoshi* to build on the high popularity it has enjoyed since its launch, creating an improved flavor and finer head. *Kirin Nodogoshi* has continued to build its No. 1 position in this fast-growing market<sup>2</sup>.

Driven by sales of *Kirin Nodogoshi* and *Kirin Enjuku*, sales volume of beer + happo-shu + new genre in the first quarter of fiscal 2006 were 26.5% higher than in the previous comparable period, significantly ahead of average industry growth.

In chu-hi, the market has continued to grow in recent years, and customers' tastes and expectations have diversified considerably. In March we expanded the range of our market-leading *Kirin Chu-hi Hyoketsu* series with the launch of a new flavor, *Kirin Chu-hi Hyoketsu Yuzu*.

In the spirits market we broke the one million-bottle mark in February for sales of our first domestically produced Kirin-branded whisky, *Fuji-Sanroku*, which is generating strong interest in the domestic market for non-premium whiskey. In wines, we widened our lineup of *Franzia* wine, the world's biggest selling wine brand<sup>3</sup>, which in 2006 is celebrating its centenary. Other measures taken to boost our wine sales included marketing limited-offer *Café de Paris* products and launching a new still wine from the Capetta brand.

In marketing, we made a solid start with good impact from the winter Olympic campaign at the start of the year. Further, as an official sponsor of the Japan national soccer team we are engaged in an active promotional program with the approach of the opening of the 2006 FIFA world cup™ in Germany. Since March we have been building support for the Japan team with a popular competition in which participants can win 'Kachi-T' original t-shirts and 'Kachi-daru' miniature beer kegs, along with other designer products.

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<sup>1</sup> Taxed shipments of Kirin Happo-shu, January-March 2006

<sup>2</sup> Taxed shipments of Kirin New Genre, January-March 2006

<sup>3</sup> Largest sales volume of a single brand, according to IMPACT DATA BANK 2005 EDITION

In sales, we took further measures to ensure and improve the quality of our product at commercial premises through the adoption of a new nationwide '*Kirin manten nama no mise*', a Kirin satisfaction system under which the restaurants and bars carrying our keg beer receive our approval in accordance with certain standards.

Also during the period under review, we shifted to an internal company system in the domestic alcohol beverages business, with the aim of creating a flexible and dynamic structure through which we can respond more rapidly to changes in the market place.

In our overseas alcohol beverages business, which we are pursuing mainly in Asia and Oceania, we began construction of a new high-quality brewery that will double current capacity at Kirin Brewery (Zhuhai) Company, Limited in the Pearl River Delta region of China. We also carried out a number of marketing events to promote sales of *Kirin Chu-hi Hyoketsu* in Shanghai, in closely collaboration with Kirin Beverage Corporation.

Consolidated sales and income in the alcohol beverages business both increased for the period under review, building on the momentum generated in the previous year. Consolidated sales increased 18.3% to ¥223.1 billion compared with the first quarter of the previous year, and operating income increased 475.3% to ¥11.8 billion.

#### **Soft Drinks Business**

In the soft drinks business, Kirin Group's core soft drink business, Kirin Beverage Corporation, undertook active brand marketing to expand sales and tailored management strategies to specific regions and business channels.

Core brand *Nama-cha* underwent a renewal to support the creation of a distinctive position in the market, and *Nama-cha Ureshino tama ryokucha 100%* was launched as the first product in a series of beverages making use of choice Japanese tea leaves. *Kirin Gogono-Kocha* underwent a comprehensive renewal in February on the approach of its 20<sup>th</sup> year of sales, supported by a vigorous advertising campaign focusing on the new appeal of the product. New product *Kirin NUDA*, a non-sugar carbonated water, has been very strongly received by the market since its launch.

In marketing, Kirin Beverage commenced full-scale contracting-out of product merchandizing to Kirin's merchandizing entity Kirin Communication Stage, as part of measures to strengthen its sales and marketing approach.

In production, Kirin's Hokuriku plant began producing *Kirin Alkali-Ion-no Mizu* mineral water in 'Pecology' bottles—the lightest two-litre PET bottle in Japan—from February, as part of measures to strengthen Group synergies in Kirin's manufacturing structure.

In overseas soft drinks operations, Kirin Beverage renewed *Kirin Nama-cha* in Shanghai, and took initiatives to boost the market presence of the Kirin brand in Shanghai, Guandong and Beijing with the launch of the new line of *Kirin Gogono-Kocha*.

Consolidated sales and income in the soft drinks business for the first quarter of 2006 were higher than in the previous comparable period, supported by strong sales of domestic soft drink beverages, with sales increasing 6.1% to ¥77.8 billion, and operating income increasing 46.0% to ¥0.7 billion.

#### **Pharmaceuticals Business**

During the three months under review we continued active marketing of *ESPO*, a treatment for renal anemia, *GRAN*, an agent used for leukocytopenia, *Rocaltrol Injection*, a medicine for secondary hyperparathyroidism, and *PHOSBLOCK*

*Tablets*, for the treatment of hyperphosphatemia.

In R&D we made progress on expanding our product pipeline in human antibody medicines, which we have positioned as an area of strategic focus for pharmaceuticals business development for the future, with a licensing agreement in March with Austrian company Intercell AG for its pneumococcal antigen. We also continued development of candidates such as KRN321, our new-generation medicine for renal anemia, and KRN1493, a candidate medicine for secondary hyperparathyroidism.

Consolidated sales and income in the pharmaceuticals business increased 14.5% to ¥14.4 billion and operating income increased 28.8% to ¥2 billion, supported by factors such as firm sales of *ESPO*.

### **Other Businesses**

The internal company system for both the functional food business and the agribio business was discontinued during the period under review, helping clarify the core companies of the Group and facilitating a new stage of independent and dynamic business development.

In functional foods, we pursued a variety of sales and marketing initiatives at Kirin Well-foods Co., Ltd., and Takeda-Kirin Foods Corp. formed a production alliance agreement with South Korean company Daesang Corporation to jointly establish a plant in Indonesia to manufacture nucleotide seasonings. By improving market competitiveness we are endeavoring to enhance the strength of our business in this area.

In the agribio business, we carried out a range of initiatives in Japan and overseas. Following the agreement formed in China in 2005 with the Agriculture and Biology school of Shanghai Jiao Tong University, we began joint development of a new flower variety being created for the Shanghai Expo in 2010. Further business development is being pursued in China, in consideration of the country as both a production center and a promising market.

Sales in the other businesses decreased 5.7% to ¥34.6 billion, and an operating loss of ¥100 million was recorded.

## **5. CORPORATE SOCIAL RESPONSIBILITY: POLICY AND PROGRESS UPDATE**

Based on the Kirin Group CSR declaration of 2005, CSR within Kirin is positioned as *initiatives through which our company can earn the trust of society*. This approach has been formulated around five core themes:

1. Compliance
2. Safety and reliability
3. Protection of personal information
4. Responsible drinking
5. Environmental protection

A Quality Assurance Section has been established within the CSR & Corporate Communication Division to maintain and enhance product quality throughout the Group. This section is tasked with proposing and establishing quality assurance policy, and promulgating such policies throughout the organization.

In environmental measures, quantitative targets have been established for the reduction of CO<sub>2</sub> and other so-called greenhouse gases, supported by initiatives such as changing fuel sources at plants and promoting on-site generation<sup>4</sup>. At

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<sup>4</sup> A system whereby an outside operator places a power plant within a company's site, designing it to make optimum use of available energy resources both within and outside of the host company's site. Energy produced in excess of the company's requirement is sold to other users by the outside operator.

our Toride plant we have introduced a natural gas boiler and NAS battery system<sup>5</sup>. The NAS battery allows us to make effective use of off-peak power, and two 1,500kW NAS batteries installed. At our Fukuoka plant, Hiroshima brewery and Yokohama plant we have installed solar power systems, as part of measures to produce and use energy efficiently and reduce environmental burden.

In our support for sports we have been carrying our programs to support athletes at the Turin Winter Olympics and to support the Japan national soccer team in its buildup to the 2006 FIFA world cup™ in Germany. Through the Kirin Challenge Cup and other activities we are helping to create excitement and develop the fan base in a way that positively links sport with happy lifestyles.

We have also been presenting an exhibition of results into research into historical beer brewing methods and the origins of beer in Japan, as part of our activities to heighten interest in beer culture. This exhibition has traveled to ten of our breweries across Japan, and includes reproductions created last year of three beer-making techniques from the Edo period through to the Meiji restoration.

## **6. FULL-YEAR FORECASTS**

There is no change to the full-year consolidated forecasts that were announced on February 17, 2006.

## **7. BUSINESS RISKS**

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

The risk items outlined below are those identified by the Company as of March 31, 2006.

### **(1) Domestic markets and economic trends**

Most of Kirin Group's Alcohol Beverages division operates in Japan. This business could therefore be significantly affected by domestic economic conditions and consumer trends with regard to alcohol beverages.

Furthermore, the declining birth rate and aging population profile in Japan could lead to a weakening of the alcohol beverages and soft drinks markets.

### **(2) Increased taxes on alcoholic beverages**

Alcohol consumption in Japan could decline if increased taxes on alcohol beverages resulted in higher prices.

### **(3) Changes in regulatory environment regarding alcohol beverages**

In order for the Kirin Group to fulfill its social responsibility as a manufacturer and vendor of alcohol products, advertising and publicity is conducted in accordance with strict voluntary standards. However, international standards in respect of the sale of alcohol products are under consideration by institutions such as the World Health Organization. In the long term Kirin faces the risk that sales of alcohol beverages could decline if guidelines were implemented that were significantly stricter than currently envisaged.

### **(4) Risk in the pharmaceutical business**

The pharmaceutical industry has in recent years undergone considerable restructuring through alliances and mergers. This restructuring, along with the decline in relative scale of the Group's pharmaceutical businesses, could negatively

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<sup>5</sup> An advanced high-capacity, long-life battery system that allows electric power to be both stored and discharged.

impact our performance in the pharmaceutical business. Revisions to laws, and stricter regulations, could also be disadvantageous to Kirin. Delays in the development of new products could pose a risk to the Company, as could the occurrence of unforeseen side effects from our Company's pharmaceutical products.

(5) Risk in overseas businesses

The Kirin Group has overseas operations focusing on Asia and Oceania. Risks associated with these operations include those outlined below. We take measures to ameliorate these risks but these risks may affect our business to a greater extent than we forecast.

- Revisions to tax systems and laws and stricter regulations that have an adverse effect on our company
- Occurrence of unforeseeable political, economic or social events
- Political or social factors such as the outbreak of war or terrorist activity, SARS or avian influenza epidemics
- Earthquakes and other natural disasters
- Currency fluctuations outside the forecast range

(6) Weather and natural disasters

Kirin Group's alcohol beverages or soft drinks businesses may be adversely affected by weather patterns such as unusually cold summers or extensive typhoons. Furthermore, earthquakes and natural disasters on a large scale could damage facilities, resulting in production levels falling short of requirements.

(7) Food safety

Kirin Group is continually strengthening its strict food quality management system. The entire Group is cooperating in the implementation of quality tests in order to offer customers 'safety in food'. However, in recent years, BSE and avian influenza epidemics have threatened food safety. If quality control problems occur that are beyond the scope of our anticipatory measures, Kirin's financial position and business performance could be adversely affected.

(8) Accidents at Group plants or at outsourced manufacturers

Although Kirin Group manufactures many alcohol beverages and other products at its own plants, some of the Group's products are produced by external manufacturers, and some products are imported. The quality of all such goods is expected to be uniformly high, but the risk remains that our business could be adversely affected by quality problems at Kirin or outside manufacturing plants or from imported goods.

(9) Environmental issues

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

(10) Information leaks

Kirin Group has formulated information security policies, is implementing internal training programs and is making every effort to protect data on individuals. However, risks such as those from hacking and document falsification remain. Furthermore, computer viruses could temporarily damage the company's computer systems, adversely impacting Kirin's financial position and business performance.

(11) Effects of legal restrictions

When carrying out our business the Kirin Group abides by domestic liquor tax laws, food sanitation laws and drug legislation. Furthermore, in each country in which the Group is present we comply with local laws. If such laws change, or if new, unforeseen laws or regulations are introduced, Group activities may be curtailed, adversely impacting Kirin's financial position and business performance.

(12) Litigation risks

Kirin Group has an internal business control structure and is putting efforts into strengthening compliance management as part of measures to ensure that Kirin Group does not violate statutes and regulations when carrying out its business. However, in the course of our business in Japan and overseas, there is a possibility that litigation will be brought against the Group or its employees for real or supposed infringements of product liability, intellectual property or other laws. Either directly as a result of legal proceedings or as the result of the loss of trust from customers resulting from such proceedings there is a risk that Kirin's financial situation and business performance could be negatively affected.

(13) Increase in the price of raw materials

Some of the main raw materials that Kirin Group uses are liable to changes in price depending on market conditions. Based on increases in the price of raw materials, manufacturing costs may also rise, adversely impacting Kirin's financial position.

(14) Changes in value of assets

Kirin's financial position and business performance could be adversely affected if the value of land, negotiable securities or other assets decreased significantly in value.

Retirement liabilities

Liabilities and expenses for employees' retirement are calculated on an actuarial basis based on certain assumptions including discount rates and expected returns on pension assets. Actual outcomes could differ from these assumptions or these assumptions could change, adversely impacting Kirin's financial position and business performance.

## **8. INFLUENCE OF SEASONAL FACTORS**

Sales of Kirin Group's core alcohol beverages and soft drinks are subject to significant change with the seasons, as demand peaks in summer. Sales in the first quarter of the year therefore tend to be lower than in other quarters.

## **9. NOTE CONCERNING FORECASTS**

The statements concerning future performance that are presented in this document are based on judgments using information available to Kirin and the Kirin Group as of March 31, 2006. Certain risks and uncertainties could cause the results of Kirin and the Kirin Group to differ materially from any projections presented herein. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses, market trends, and exchange rates.

CONSOLIDATED BALANCE SHEETS

(¥ millions)

ASSETS	At		At		Increase (Decrease)	At	
	March 31, 2006		March 31, 2005			December 31, 2005	
	Amount	Percentage over total assets	Amount	Percentage over total assets	Amount	Amount	Percentage over total assets
<b>Current Assets</b>							
Cash	193,782		118,329		75,453	169,334	
Notes and accounts receivable, trade	219,828		204,529		15,299	290,077	
Marketable securities	149		800		(651)	50	
Inventories	107,277		99,488		7,789	94,156	
Other	43,929		64,640		(20,711)	43,788	
Allowance for doubtful accounts	(2,519)		(4,352)		1,833	(2,551)	
<b>Total Current Assets</b>	<b>562,449</b>	<b>29.2</b>	<b>483,435</b>	<b>28.2</b>	<b>79,014</b>	<b>594,855</b>	<b>30.7</b>
<b>Fixed Assets</b>							
<b>Property, plant and equipment</b>							
Buildings and structures	184,918		188,567		(3,649)	191,182	
Machinery, equipment and vehicles	169,846		165,732		4,114	172,252	
Land	152,330		154,530		(2,200)	156,380	
Construction in progress	33,340		42,057		(8,717)	25,990	
Other	37,980		42,067		(4,087)	37,081	
<b>Total</b>	<b>578,415</b>	<b>30.1</b>	<b>592,955</b>	<b>34.6</b>	<b>(14,540)</b>	<b>582,887</b>	<b>30.1</b>
<b>Intangible Assets</b>							
Consolidation differences	37,640		39,517		(1,877)	38,412	
Other	99,880		92,704		7,176	97,463	
<b>Total</b>	<b>137,520</b>	<b>7.1</b>	<b>132,221</b>	<b>7.7</b>	<b>5,299</b>	<b>135,876</b>	<b>7.0</b>
<b>Investments and Other Assets</b>							
Investment securities	543,287		392,671		150,616	516,757	
Life insurance investments	37,316		36,591		725	37,193	
Other	70,706		80,736		(10,030)	74,077	
Allowance for doubtful accounts	(3,720)		(3,928)		208	(3,781)	
<b>Total</b>	<b>647,590</b>	<b>33.6</b>	<b>506,070</b>	<b>29.5</b>	<b>141,520</b>	<b>624,247</b>	<b>32.2</b>
<b>Total Fixed Assets</b>	<b>1,363,527</b>	<b>70.8</b>	<b>1,231,248</b>	<b>71.8</b>	<b>132,279</b>	<b>1,343,010</b>	<b>69.3</b>
<b>TOTAL ASSETS</b>	<b>1,925,976</b>	<b>100.0</b>	<b>1,714,683</b>	<b>100.0</b>	<b>211,293</b>	<b>1,937,866</b>	<b>100.0</b>

(¥ millions)

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	At March 31, 2006		At March 31, 2005		Increase (Decrease)	At December 31, 2005	
	Amount	Percentage	Amount	Percentage	Amount	Amount	Percentage
		over total assets		over total assets			over total assets
<b>Current Liabilities</b>							
Notes and accounts payable, trade	92,440		94,564		(2,124)	107,436	
Short-term loans payable	40,273		42,465		(2,192)	18,269	
Bonds due within one year	69,900				69,900	69,900	
Liquor taxes payable	62,221		55,801		6,420	107,563	
Income taxes payable	9,178		2,239		6,939	20,270	
Accrued expenses	75,706		69,611		6,095	79,479	
Deposits received	25,575		40,442		(14,867)	29,318	
Other	42,072		41,859		213	45,154	
<b>Total Current Liabilities</b>	<b>417,369</b>	<b>21.7</b>	<b>346,985</b>	<b>20.2</b>	<b>70,384</b>	<b>477,392</b>	<b>24.6</b>
<b>Long-term Liabilities</b>							
Bonds	106,327		171,814		(65,487)	106,241	
Long-term debt	90,420		69,404		21,016	54,236	
Employees' pension and retirement benefits	70,345		71,576		(1,231)	71,958	
Other reserves	12,652		14,583		(1,931)	12,866	
Deposits received	72,172		72,008		164	72,507	
Other	110,739		44,259		66,480	90,769	
<b>Total Long-term Liabilities</b>	<b>462,658</b>	<b>24.0</b>	<b>443,646</b>	<b>25.9</b>	<b>19,012</b>	<b>408,580</b>	<b>21.1</b>
<b>TOTAL LIABILITIES</b>	<b>880,027</b>	<b>45.7</b>	<b>790,631</b>	<b>46.1</b>	<b>89,396</b>	<b>885,972</b>	<b>45.7</b>
<b>MINORITY INTERESTS</b>	<b>67,971</b>	<b>3.5</b>	<b>76,671</b>	<b>4.5</b>	<b>(8,700)</b>	<b>79,292</b>	<b>4.1</b>
Common stock	102,045	5.3	102,045	6.0		102,045	5.3
Capital surplus	71,004	3.7	70,987	4.1	17	70,999	3.7
Retained earnings	717,373	37.2	682,280	39.8	35,093	730,226	37.6
Land revaluation difference	(4,713)	(0.2)	(4,713)	(0.3)		(4,713)	(0.2)
Net unrealized holding gains on securities	132,691	6.9	51,547	3.0	81,144	117,207	6.0
Foreign currency translation adjustments	(15,152)	(0.8)	(30,199)	(1.8)	15,047	(18,073)	(0.9)
Treasury stock, at cost	(25,272)	(1.3)	(24,568)	(1.4)	(704)	(25,091)	(1.3)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>977,977</b>	<b>50.8</b>	<b>847,380</b>	<b>49.4</b>	<b>130,597</b>	<b>972,601</b>	<b>50.2</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>1,925,976</b>	<b>100.0</b>	<b>1,714,683</b>	<b>100.0</b>	<b>211,293</b>	<b>1,937,866</b>	<b>100.0</b>

## CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

	First quarter ended March 31, 2006		First quarter ended March 31, 2005		Increase (Decrease) Amount	Year ended December 31, 2005	
	Amount	Percentage over sales	Amount	Percentage over sales		Amount	Percentage over sales
Sales	350,101	100.0	311,431	100.0	38,670	1,632,249	100.0
Cost of sales	208,032	59.4	187,467	60.2	20,565	973,920	59.7
Gross profit	142,068	40.6	123,963	39.8	18,105	658,328	40.3
Selling, general and administrative expenses	127,781	36.5	119,549	38.4	8,232	546,619	33.5
Operating income	14,286	4.1	4,413	1.4	9,873	111,708	6.8
Non-operating income							
Interest income	122		173			1,058	
Dividend income	1,395		693			3,225	
Equity in earnings of affiliates	1,663		1,653			8,495	
Rental income			584				
Other	1,152		831			6,038	
Total	4,334	1.2	3,937	1.3	397	18,817	1.2
Non-operating expenses							
Interest expense	1,954		2,273			9,231	
Other	1,241		961			6,413	
Total	3,196	0.9	3,235	1.0	(39)	15,645	1.0
Ordinary income	15,424	4.4	5,115	1.6	10,309	114,881	7.0
Special income							
Gain on sale of fixed assets	487		75			1,440	
Reversal of allowance for doubtful accounts	104		165			2,182	
Gain on sale of investment securities	610		325			1,633	
Gain on release from the substitutonal portion of the government's welfare pension insurance scheme						536	
Gain on sale of shares of subsidiaries and affiliates			33			8	
Total	1,202	0.3	598	0.2	604	5,802	0.4
Special expenses							
Loss on disposal of fixed assets	254		503			4,264	
Loss on sale of fixed assets	47		35			605	
Loss on impairment						85	
Loss on devaluation of investment securities						1,466	
Loss on sale of investment securities	4					55	
Business restructuring expense			463			4,259	
Loss on sale of shares of subsidiaries and affiliates						159	
Expense of reserve for losses on guarantees						786	
Total	306	0.1	1,002	0.3	(696)	11,682	0.7
Income before income taxes and minority interests	16,321	4.7	4,710	1.5	11,611	109,001	6.7
Income taxes	7,129	2.0	2,047	0.7	5,082	48,949	3.0
Minority interests	2,821	0.8	1,675	0.5	1,146	8,788	0.5
Net income	6,369	1.8	987	0.3	5,382	51,263	3.1

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(¥ millions)

	First quarter ended March 31, 2006	First quarter ended March 31, 2005	Increase (Decrease)	Year ended December 31, 2005
<b>Cash flows from operating activities</b>				
Income before income taxes and minority interests	16,321	4,710	11,611	109,001
Depreciation and amortization	16,203	16,500	(297)	71,002
Increase (decrease) in reserves	(1,388)	(1,447)	59	(5,602)
Interest and dividend income	(1,513)	(867)	(646)	(4,283)
Interest expense	1,954	2,273	(319)	9,231
Decrease (increase) in notes and accounts receivable, trade	70,235	87,245	(17,010)	3,238
Decrease (increase) in inventories	(13,198)	(15,873)	2,675	(8,336)
Increase (decrease) in notes and accounts payable, trade	(15,105)	(16,140)	1,035	(4,329)
Increase (decrease) in liquor taxes payable	(45,352)	(61,304)	15,952	(9,724)
Other	(17,228)	(32,366)	15,138	(18,749)
Sub-total	10,928	(17,268)	28,196	141,447
Interest and dividend received	1,648	1,553	95	7,254
Interest paid	(2,272)	(2,461)	189	(9,114)
Income taxes paid	(17,568)	(12,118)	(5,450)	(34,871)
<b>Net cash provided by (used in) operating activities</b>	<b>(7,264)</b>	<b>(30,295)</b>	<b>23,031</b>	<b>104,716</b>
<b>Cash flows from investing activities</b>				
Payment for purchases of property, plant, equipment and intangible assets	(15,608)	(15,778)	170	(62,960)
Proceeds from sale of property, plant and equipment	588	231	357	14,339
Payment for purchase of marketable securities and investment securities	(97)	(24,823)	24,726	(35,409)
Proceeds from sales and redemption of marketable securities and investment securities	677	362	315	18,447
Payment for acquisition of shares of newly consolidated subsidiaries	(2,401)		(2,401)	(2,336)
Proceeds from sale of shares of subsidiaries excluded from the consolidation scope		7,674	(7,674)	7,718
Other	1,277	(4,283)	5,560	(6,493)
<b>Net cash used in investing activities</b>	<b>(15,563)</b>	<b>(36,616)</b>	<b>21,053</b>	<b>(66,693)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans payable	16,751	22,810	(6,059)	(287)
Proceeds from long-term debt	57,549		57,549	6,325
Repayment of long-term debt	(15,788)		(15,789)	(25,151)
Payment for purchase of treasury stock	(187)	(10,121)	9,934	(10,693)
Proceeds from sale of treasury stock	11	11	0	72
Cash dividends paid	(5,911)	(5,308)	(603)	(13,446)
Cash dividends paid to minority shareholders	(4,880)	(3,845)	(1,035)	(8,086)
Other	(316)	189	(505)	(774)
<b>Net cash provided by (used in) financing activities</b>	<b>47,227</b>	<b>3,737</b>	<b>43,490</b>	<b>(52,041)</b>
Effect of exchange rate fluctuation on cash and cash equivalents	(53)	420	(473)	1,563
Net increase (decrease) in cash and cash equivalents	24,345	(62,755)	87,100	(12,456)
Cash and cash equivalents at beginning of year	164,800	177,257	(12,457)	177,257
Net increase (decrease) in cash and cash equivalents from new consolidation/de-consolidation of subsidiaries	609		609	
<b>Cash and cash equivalents at end of period</b>	<b>189,755</b>	<b>114,501</b>	<b>75,254</b>	<b>164,800</b>

## (SEGMENT INFORMATION)

## Business segment information

(¥ millions)

First quarter ended March 31, 2006							
	Alcohol Beverages	Soft Drinks	Pharmaceuticals	Others	Total	Eliminations or Corporate	Consolidated
<b>Sales</b>							
Unaffiliated customers	223,185	77,885	14,426	34,604	350,101		350,101
Inter-segment	758	14		19,435	20,208	(20,208)	
<b>Total sales</b>	<b>223,943</b>	<b>77,900</b>	<b>14,426</b>	<b>54,039</b>	<b>370,310</b>	<b>(20,208)</b>	<b>350,101</b>
Operating expenses	212,104	77,107	12,353	54,168	355,733	(19,918)	335,814
Operating income	11,839	792	2,073	(128)	14,576	(290)	14,286

(¥ millions)

First quarter ended March 31, 2005							
	Alcohol Beverages	Soft Drinks	Pharmaceuticals	Others	Total	Eliminations or Corporate	Consolidated
<b>Sales</b>							
Unaffiliated customers	188,701	73,429	12,599	36,700	311,431		311,431
Inter-segment	995	30		18,971	19,997	(19,997)	
<b>Total sales</b>	<b>189,696</b>	<b>73,460</b>	<b>12,599</b>	<b>55,672</b>	<b>331,428</b>	<b>(19,997)</b>	<b>311,431</b>
Operating expenses	187,638	72,917	10,988	55,193	326,738	(19,720)	307,017
Operating income	2,057	542	1,610	478	4,689	(276)	4,413

Type and nature of products are considered in classification of business segments. Main products by each business segment are as follows:

Business segment	Main products
Alcohol beverages	Beer, sparkling malt liquor ( <i>Happo-Shu</i> ), New genre, wine, whiskey, spirits, etc.
Soft drinks	Soft drinks and other drinks
Pharmaceuticals	Pharmaceutical products
Others	Engineering, logistics, floriculture, etc.

Unallocable operating expenses included in "Eliminations or Corporate" are as follows.

First quarter ended March 31, 2006 ¥ 420 million, mainly consists of costs for research and development of basic technologies.

First quarter ended March 31, 2005 ¥ 473 million, mainly consists of costs for new business development and costs for research and development of basic technologies at the Company.

Effective from the previous accounting period ended June 30, 2005, the Company changed its accounting method to record rental income and expenses as sales and cost of sales, respectively.

In accordance with this change, the Company reclassifies costs for new business development (164 million is recorded for the current accounting period ended March 31, 2006) which was included in "Eliminations or Corporate" into "Others" segment as the operating expenses of real estate business.

The effect of this change in method of accounting was to increase sales, operating expenses and operating income of the "Others" segment by 1,493 million, 1,117 million and 376 million, respectively for the first quarter ended March 31, 2006 compared with what would have been recorded under the previous method.

(PRODUCTION, ORDERS RECEIVED AND SALES)

## 1. PRODUCTION PERFORMANCE

Production performance for the first quarter ended March 31, 2006 classified by the type of business segment is as follows:

Business segment	Amount (¥ million)	Percentage change (%)
Alcohol beverages	221,627	19.3
Soft drinks	30,153	15.0
Pharmaceuticals	19,730	23.9
Other	14,112	(9.1)
Total	285,623	17.3

(Note) The amounts are calculated based on sales price without consumption taxes.

## 2. ORDERS RECEIVED

Orders received for the first quarter ended March 31, 2006 classified by the type of business segment is as follows.

The Company and consolidated subsidiaries manufacture their products based on their projection for market demand except for contract manufacture in "Alcohol beverages" and "Soft drinks" segments and inspection machines and others in "Others" segment.

Business segment	Orders received		Backlog	
	Amount (¥ million)	Percentage change (%)	Amount (¥ million)	Percentage change (%)
Alcohol beverages	156	0.2		
Soft drinks	642	121.2		
Pharmaceuticals				
Others	1,863	(61.4)	525	(72.4)
Total	2,662	(49.6)	525	(72.4)

(Note) The amounts are calculated based on sales price without consumption taxes.

## 3. SALES PERFORMANCE

Sales performance for the first quarter ended March 31, 2006 classified by the type of business segment is as follows:

Business segment	Amount (¥ million)	Percentage change (%)
Alcohol beverages	223,185	18.3
Soft drinks	77,885	6.1
Pharmaceuticals	14,426	14.5
Others	34,604	(5.7)
Total	350,101	12.4

(Note) The consumption taxes are not included in the above amounts.

# **Supplementary Documents**

## **to the Consolidated Financial Statements**

**as of, and for the first quarter ended  
March 31, 2006**

### **Contents**

1. Results of Operations
2. Sales Details
3. Profit Breakdown for the 1st quarter (Actual)
4. Major Expenses and Others
5. Major Fluctuations of Assets and Liabilities
6. Analysis of Operating Income by Business Segment

**KIRIN BREWERY COMPANY, LIMITED**

**May 11, 2006**

# Consolidated

## 1. Results of Operations

( ¥ billions )

	2006				2005			
	The 1st quarter Actual		Annual Forecast (Disclosed on February 17, 2006)		The 1st quarter Actual		Annual Actual	
Sales (Ratio of consolidated account to Parent Company's account)	350.1	1.87	1,670.0	1.73	311.4	1.96	1,632.2	1.74
Operating income (Ratio of consolidated account to Parent Company's account)	14.2	7.87	117.0	1.92	4.4	-	111.7	1.92
Ordinary income (Ratio of consolidated account to Parent Company's account)	15.4	1.67	118.0	1.48	5.1	9.47	114.8	1.58
Net income (Ratio of consolidated account to Parent Company's account)	6.3	0.98	54.0	1.10	0.9	2.10	51.2	1.17

## 2. Sales Details

	2006				2005			
	The 1st quarter Actual		Annual Forecast (Disclosed on February 17, 2006)		The 1st quarter Actual		Annual Actual	
Sales by business segments	¥ billions	Increase (Decrease)	¥ billions	Increase (Decrease)	¥ billions	Increase (Decrease)	¥ billions	Increase (Decrease)
Total sales	350.1	12.4%	1,670.0	2.3%	311.4	(4.6%)	1,632.2	(1.4%)
Alcohol beverages	223.1	18.3%	1,052.3	3.2%	188.7	(8.9%)	1,019.3	(3.2%)
Beer, <i>Happo-shu</i> and New genre	198.2	20.9%	922.0	2.2%	163.8	(10.5%)	902.5	(3.7%)
Other alcohol beverages	24.9	0.6%	130.3	11.6%	24.8	3.1%	116.7	0.6%
Soft drinks	77.8	6.1%	395.4	4.0%	73.4	1.1%	380.1	2.1%
Pharmaceuticals	14.4	14.5%	68.0	0.6%	12.5	(2.2%)	67.6	7.8%
Other business	34.6	(5.7%)	154.3	(6.6%)	36.7	8.7%	165.1	(0.8%)
Agribio	6.1	(5.6%)	18.9	(17.9%)	6.5	(5.8%)	23.0	(0.1%)
Nutrient Food	7.4	1.5%	34.2	3.5%	7.2	(21.5%)	33.0	(23.0%)
Other	21.0	(8.1%)	101.2	(7.2%)	22.8	30.3%	109.0	8.5%

Consolidated
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### 3. Profit Breakdown for the 1st quarter (Actual)

( ¥ billions )

Item	2006 The 1st quarter	2005 The 1st quarter	Increase (Decrease)	Reference
<b>Sales</b>	<b>350.1</b>	<b>311.4</b>	<b>39.1</b>	
Increase in Operating income of Parent Company			7.3	(5.5) 1.8
Increase in Operating income of other subsidiaries			2.1	
Increase in Operating income of Kirin Beverage			0.4	0.2 0.7
<b>Increase in Operating income</b>	<b>14.2</b>	<b>4.4</b>	<b>9.8</b>	
Increase in net of Non-operating income and expenses of Parent Company			1.4	
Increase in net of equity in earnings of affiliates			0.0	
Decrease in net of Non-operating income and expenses of Kirin Beverage			(0.4)	
Decrease in net of Non-operating income and expenses of other subsidiaries, etc.			(0.5)	
<b>Increase in Ordinary income</b>	<b>15.4</b>	<b>5.1</b>	<b>10.3</b>	
Increase in net of Special income, expenses and Income taxes of Kirin Beverage			0.4	
Increase in Minority Interests			(1.2)	(1.6) (2.8)
Decrease in net of Special income, expenses and Income taxes of other subsidiaries			(1.4)	
Decrease in net of Special income, expenses and Income taxes of Parent Company			(2.7)	Increase in Income taxes (2.9) Increase in net of Special income and expenses 0.2
<b>Increase in Net income</b>	<b>6.3</b>	<b>0.9</b>	<b>5.4</b>	

## Consolidated

### **4. Major Expenses and Others**

( ¥ billions )

	2006		2005	
	The 1st quarter Actual	Annual Forecast <small>(Disclosed on February 17, 2006)</small>	The 1st quarter Actual	Annual Actual
Research and development expenses	6.6	29.0	6.0	28.7
Depreciation	16.2	73.0	16.5	71.0
Financial profit, net	(0.4)	(5.0)	(1.4)	(4.9)
Cash flows	24.3	(67.0)	(62.7)	(12.4)
Operating activities	(7.2)	111.0	(30.2)	104.7
Investing activities	(15.5)	(83.0)	(36.6)	(66.6)
Financing activities	47.2	(95.0)	3.7	(52.0)

Consolidated
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### 5. Major Fluctuations of Assets and Liabilities

( ¥ billions )

	2006 The 1st quarter Actual	2005 The 1st quarter Actual	Increase (Decrease)	Reference
<b>ASSETS</b>				
Current Assets				
Notes and accounts receivable, trade	219.8	204.5	15.3	Increase at Parent Company and Lion Nathan, etc.
Others	43.9	64.6	(20.7)	Decrease in deposit for purchase of stocks at Parent Company, etc.
Fixed Assets				
Investments and Other Assets				
Investment securities	543.2	392.6	150.6	Increase in net unrealized holding gains on securities along with the improvement in stock price at Parent Company. Increase due to acquisition of additional shares of overseas affiliates.
Other	70.7	80.7	(10.0)	Decrease in deferred tax assets at Kirin Beverage, etc.
<b>LIABILITIES</b>				
Current Liabilities				
Bonds due within one year	69.9	-	69.9	Increase due to reclassification of bonds due within one year at Parent Company.
Deposits received	25.5	40.4	(14.9)	Decrease due to the sales termination of gift coupon at Parent Company, etc.
Long-term Liabilities				
Bonds	106.3	171.8	(65.5)	Decrease due to reclassification of bonds due within one year at Parent Company, etc.
Long-term debt	90.4	69.4	21.0	Increase at Parent Company, etc.
Other	110.7	44.2	66.5	Increase in deferred tax liabilities due to increase in net unrealized holding gains on securities along with the improvement in stock price at Parent Company and others, etc.
<b>SHAREHOLDERS' EQUITY</b>				
Net unrealized holding gains on securities	132.6	51.5	81.1	Increase in net unrealized holding gains on securities along with the improvement in stock price at Parent company, etc.
Foreign currency transaction adjustments	(15.1)	(30.1)	15.0	Increase due to depreciation of yen.

Consolidated
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### 6. Analysis of Operating Income by Business Segment

Fluctuation between the 1st quarter of 2006 Actual and the 1st quarter of 2005 Actual

( ¥ billions )

	Alcohol Beverages	Soft Drinks	Pharmaceuticals	Others	Eliminations or Corporate	Total
Operating income						
– The 1st quarter of 2005 Actual	2.0	0.5	1.6	0.4	(0.1)	4.4
Increase (Decrease) in Gross profit	16.5	0.5	1.3	(0.8)	0.6	18.1
Decrease (Increase) in Selling, general and administrative expenses, etc.	(6.7)	(0.3)	(0.9)	0.3	(0.7)	(8.3)
Increase (Decrease) in Operating income	9.8	0.2	0.4	(0.5)	(0.1)	9.8
Operating income						
–The 1st quarter of 2006 Actual	11.8	0.7	2.0	(0.1)	(0.2)	14.2

# KIRIN BREWERY COMPANY, LIMITED

## SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2006 (UNAUDITED)

May 11, 2006

( English Translation )

Fiscal year ending December 31, 2006

### KIRIN BREWERY COMPANY, LIMITED

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

Code No.:	2503
Shares Listed:	Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo
Representative:	Mr. Kazuyasu Kato, President
For further information, please contact:	Mr. Kensuke Suzuki, General Manager, Corporate Communications & IR Group, CSR & Communications Division Telephone: 81- 3- 5540- 3450 from overseas

### 1. Items pertaining to preparation of quarterly non-consolidated statements of income, etc

Adoption of simple methods in accounting policies: Yes

The estimated effective tax rate is applied for the computation of income taxes

Change in accounting policies: None

### 2. Business results and financial positions for the first quarter of 2006 (January 1, 2006 - March 31, 2006)

[Unit: Japanese yen (¥)]

#### (1) Results of operations:

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

	Sales (¥ millions)	Percentage change (%)	Operating income (¥ millions)	Percentage change (%)	Ordinary income (¥ millions)	Percentage change (%)
First quarter ended March 31, 2006	186,743	17.6	1,814		9,255	
First quarter ended March 31, 2005	158,850	(10.9)	(5,586)		540	(93.4)
Year ended December 31, 2005	935,621		58,154		72,517	

	Net income (¥ millions)	Percentage change (%)	Net income per share (Primary) (¥)	Net income per share (Diluted) (¥)
First quarter ended March 31, 2006	6,486		6.78	
First quarter ended March 31, 2005	469	(91.3)	0.49	
Year ended December 31, 2005	43,886		45.61	

Notes: Percentage change means the ratio of increase or decrease in each item of business results for the first quarter ended March 31, 2006 to those for the first quarter ended March 31, 2005.

#### (2) Financial positions:

	Total assets (¥ millions)	Shareholders' equity (¥ millions)	Ratio of shareholders' equity to total assets (%)	Shareholders' equity per share (¥)
March 31, 2006	1,467,616	844,907	57.6	883.59
March 31, 2005	1,318,023	758,904	57.6	793.19
December 31, 2005	1,512,515	859,943	56.9	899.02

### 3. Forecast of business results for the current fiscal year (January 1, 2006 - December 31, 2006)

	Sales	Ordinary income	Net income	Interim dividend per share	Year-end dividend per share	Dividend per share for the year
	(¥ millions)	(¥ millions)	(¥ millions)	(¥)	(¥)	(¥)
6 months ending June 30, 2006	430,000	28,000	17,000	7.50		
Year ending December 31, 2006	968,000	80,000	49,000		7.50	15.00

( Reference ) Forecasted net income per share (Year ending December 31,2006) ¥ 51.24

Forecasted operating income (6 months ending June 30, 2006) ¥ 15,000 millions

Forecasted operating income ( Year ending December 31, 2006 ) ¥ 61,000 millions

(Note) Forecast of business results stated above has not been changed from the forecast disclosed on February 17 2006.

## NON-CONSOLIDATED BALANCE SHEETS

(¥ millions)

ASSETS	At March 31, 2006		At March 31, 2005		Increase (Decrease) Amount	At December 31, 2005	
	Amount	Percentage over total assets	Amount	Percentage over total assets		Amount	Percentage over total assets
<b>Current Assets</b>							
Cash	182,021		104,022		77,999		147,578
Notes receivable, trade	273		389		(116)		535
Accounts receivable, trade	118,472		109,375		9,097		185,191
Inventories	40,266		39,069		1,197		32,100
Other	45,504		49,704		(4,200)		36,504
Allowance for doubtful accounts	( 1,849 )		(3,419)		1,570		(1,692)
<b>Total Current Assets</b>	<b>384,688</b>	<b>26.2</b>	<b>299,142</b>	<b>22.7</b>	<b>85,546</b>		<b>400,217</b> <b>26.5</b>
<b>Fixed Assets</b>							
<b>Property, plant and equipment</b>							
Buildings	116,816		119,722		(2,906)		118,398
Machinery and equipment	101,751		104,032		(2,281)		105,116
Land	99,426		99,618		(192)		99,429
Construction in progress	17,444		24,203		(6,759)		13,449
Other	28,234		27,178		1,056		28,685
<b>Total</b>	<b>363,673</b>	<b>24.8</b>	<b>374,755</b>	<b>28.4</b>	<b>(11,082)</b>		<b>365,079</b> <b>24.1</b>
Intangible Assets	5,736	0.4	4,787	0.4	949		5,904    0.4
<b>Investments and Other Assets</b>							
Investment securities	289,918		249,940		39,978		341,229
Investments in subsidiaries and affiliates (capital stock)	317,122		278,400		38,722		289,484
Life insurance investments	37,264		36,535		729		37,148
Other	73,702		79,053		(5,351)		78,582
Allowance for doubtful accounts	( 4,489 )		(4,591)		102		(5,132)
<b>Total</b>	<b>713,518</b>	<b>48.6</b>	<b>639,338</b>	<b>48.5</b>	<b>74,180</b>		<b>741,313</b> <b>49.0</b>
<b>Total Fixed Assets</b>	<b>1,082,927</b>	<b>73.8</b>	<b>1,018,881</b>	<b>77.3</b>	<b>64,046</b>		<b>1,112,297</b> <b>73.5</b>
<b>TOTAL ASSETS</b>	<b>1,467,616</b>	<b>100.0</b>	<b>1,318,023</b>	<b>100.0</b>	<b>149,593</b>		<b>1,512,515</b> <b>100.0</b>

(¥ millions)

LIABILITIES AND SHAREHOLDERS' EQUITY	At March 31, 2006		At March 31, 2005		Increase (Decrease) Amount	At December 31, 2005	
	Amount	Percentage over total assets	Amount	Percentage over total assets		Amount	Percentage over total assets
Current Liabilities							
Notes payable, trade	500		713		(213)	716	
Accounts payable, trade	29,738		24,819		4,919	31,904	
Short-term loans payable	92,593		90,461		2,132	69,589	
Bonds due within one year	70,000				70,000	70,000	
Liquor taxes payable	57,482		51,362		6,120	102,388	
Income taxes payable	3,407		903		2,504	12,796	
Accrued expenses	30,298		29,207		1,091	38,279	
Deposits received	23,195		38,055		(14,860)	26,888	
Other	22,869		27,137		(4,268)	26,018	
Total Current Liabilities	330,085	22.5	262,662	19.9	67,423	378,582	25.0
Long-term Liabilities							
Bonds	40,000		110,000		(70,000)	40,000	
Long-term debt	56,500		26,105		30,395	26,750	
Employees' pension and retirement benefits	60,539		60,656		(117)	61,392	
Other reserves	4,906		5,776		(870)	5,105	
Deposits received	61,756		61,961		(205)	62,131	
Other	68,920		31,956		36,964	78,610	
Total Long-term Liabilities	292,623	19.9	296,456	22.5	(3,833)	273,989	18.1
<b>TOTAL LIABILITIES</b>	<b>622,709</b>	<b>42.4</b>	<b>559,118</b>	<b>42.4</b>	<b>63,591</b>	<b>652,571</b>	<b>43.1</b>
Common stock	102,045	7.0	102,045	7.7		102,045	6.8
Capital surplus							
Additional paid-in capital	70,868		70,868			70,868	
Other capital surplus	135		119		16	130	
Total Capital Surplus	71,004	4.8	70,987	5.4	17	70,999	4.7
Retained earnings							
Legal reserve	25,511		25,511			25,511	
Voluntary earned surplus	514,671		490,540		24,131	490,540	
Unappropriated retained earnings	55,102		43,377		11,725	80,096	
Total Retained earnings	595,284	40.6	559,428	42.5	35,856	596,148	39.4
Net unrealized holding gains on securities	101,844	6.9	51,010	3.9	50,834	115,840	7.7
Treasury Stock	(25,271)	(1.7)	(24,567)	(1.9)	(704)	(25,090)	(1.7)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>844,907</b>	<b>57.6</b>	<b>758,904</b>	<b>57.6</b>	<b>86,003</b>	<b>859,943</b>	<b>56.9</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,467,616</b>	<b>100.0</b>	<b>1,318,023</b>	<b>100.0</b>	<b>149,593</b>	<b>1,512,515</b>	<b>100.0</b>

## NON-CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

	First quarter ended March 31, 2006		First quarter ended March 31, 2005		Increase (Decrease) Amount	Year ended December 31, 2005	
	Amount	Percentage over sales	Amount	Percentage over sales		Amount	Percentage over sales
Sales	186,743	100.0	158,850	100.0	27,893	935,621	100.0
Cost of sales	126,220	67.6	110,869	69.8	15,351	630,464	67.4
Gross profit	60,523	32.4	47,981	30.2	12,542	305,156	32.6
Selling, general and administrative expenses	58,709	31.4	53,567	33.7	5,142	247,001	26.4
Operating income	1,814	1.0	(5,586)	(3.5)	7,400	58,154	6.2
Non-operating income							
Interest income	264		160			1,060	
Dividend income	7,255		5,589			14,984	
Other	797		1,527			4,897	
Total	8,318	4.5	7,277	4.6	1,041	20,943	2.2
Non-operating expenses							
Interest expense	479		493			2,144	
Other	397		657			4,436	
Total	877	0.5	1,151	0.7	(274)	6,580	0.7
Ordinary income	9,255	5.0	540	0.3	8,715	72,517	7.8
Special income							
Gain on sale of investment securities	610		325			1,614	
Other	225		188			3,458	
Total	836	0.4	513	0.3	323	5,072	0.5
Special expenses	204	0.1	103	0.1	101	6,190	0.7
Income before income taxes	9,886	5.3	949	0.6	8,937	71,398	7.6
Income taxes	3,400	1.8	480	0.3	2,920	27,512	2.9
Net income	6,486	3.5	469	0.3	6,017	43,886	4.7
Retained earnings brought forward from the prior fiscal year	48,615		42,907		5,708	42,907	
Dividends (interim)						6,696	
Unappropriated retained earnings	55,102		43,377		11,725	80,096	

# **Supplementary Documents**

## **to the Non-consolidated Financial Statements**

**as of, and for the first quarter ended  
March 31, 2006**

### **Contents**

1. Results of Operations
2. Sales Details
3. Profit Breakdown for the 1st quarter (Actual)
4. Major Expenses and Others
5. Major Fluctuations of Assets and Liabilities

**KIRIN BREWERY COMPANY, LIMITED**

**May 11, 2006**

# Non-consolidated

## 1. Results of Operations

( ¥ billions )

	2006				2005			
	The 1st quarter Actual		Annual Forecast (Disclosed on February 17, 2006)		The 1st quarter Actual		Annual Actual	
Sales	186.7	17.6	968.0	3.5	158.8	(10.9)	935.6	(2.2)
Operating income	1.8		61.0	5.0	(5.5)		58.1	9.8
Ordinary income	9.2		80.0	10.3	0.5	(93.4)	72.5	8.6
Net income	6.4		49.0	11.9	0.4	(91.3)	43.8	8.4

## 2. Sales Details

	2006				2005			
	The 1st quarter Actual		Annual Forecast (Disclosed on February 17, 2006)		The 1st quarter Actual		Annual Actual	
Sales volume of	thousand KL	Increase (Decrease)	thousand KL	Increase (Decrease)	thousand KL	Increase (Decrease)	thousand KL	Increase (Decrease)
Alcohol beverages								
Low alcohol beverages	510	22.9%	2,628	4.9%	415	(10.4%)	2,505	(0.0%)
Beer (*)	190	0.2%	1,077	(0.3%)	189	(15.6%)	1,079	(11.0%)
Happo-shu (*)	177	(1.0%)	782	(6.7%)	179	(7.3%)	837	(20.3%)
New genre	96		492	39.4%			352	
Subtotal	463	25.4%	2,351	3.5%	369	(11.6%)	2,270	0.3%
Chu-hi (*)	43	2.0%	260	19.1%	42	5.1%	218	(0.8%)
Other	2	5.5%	17	4.3%	2	(34.6%)	16	(23.4%)
Sales volume by major brands	Million cases		Million cases		Million cases		Million cases	
LAGER	6.96	(5.0%)	38.30	(2.5%)	7.33	(21.5%)	39.30	(16.2%)
ICHIBAN SHIBORI	7.37	5.0%	42.00	1.0%	7.02	(9.8%)	41.60	(6.7%)
TANREI	11.58	(11.6%)	56.10	(10.0%)	13.10	(5.4%)	62.30	(16.6%)
NODOGOSHI NAMA	7.58		38.90	39.4%			27.90	
Breakdown of sales	¥ billions		¥ billions		¥ billions		¥ billions	
Total Sales	186.7	17.6%	968.0	3.5%	158.8	(10.9%)	935.6	(2.2%)
Alcohol Beverages	170.3	16.9%	889.0	3.5%	145.7	(11.8%)	858.6	(3.8%)
Low alcohol beverages	163.6	17.1%	858.0	3.6%	139.7	(12.3%)	827.9	(4.2%)
Beer (*)	75.7	0.1%	434.0	0.0%	75.6	(15.9%)	433.9	(11.4%)
Happo-shu (*)	52.2	0.6%	230.0	(6.4%)	51.9	(8.7%)	245.6	(20.4%)
New genre	23.3		120.0	39.6%			85.9	
Subtotal	151.3	18.5%	784.0	2.4%	127.6	(13.1%)	765.5	(4.1%)
Chu-hi (*)	11.5	1.8%	70.0	20.2%	11.3	4.9%	58.2	(0.7%)
Other	0.7	11.8%	4.0	(3.3%)	0.6	(54.0%)	4.1	(36.6%)
Shochu, Wines, Whiskey and Spirits, etc.	6.6	11.3%	31.0	0.9%	5.9	(0.5%)	30.7	5.4%
Pharmaceuticals	13.1	10.3%	64.0	0.0%	11.9	(3.7%)	64.0	6.1%
Other	3.2	172.1%	15.0	16.1%	1.1	72.5%	12.9	256.4%

(\*) Exports included.

## Non-consolidated

### 3. Profit Breakdown for the 1st quarter (Actual)

( ¥ billions )

Item	2006 The 1st quarter	2005 The 1st quarter	Increase (Decrease)	Reference
Sales	186.7	158.8	27.9	
Increase in marginal profit of alcohol beverages business			10.1	Sales increase in followings: Beer (0.0, 630 KL) New genre (10.1, 95,443 KL) Increase in marginal profit of <i>Chu-hi</i> (0.1, 840KL) Decrease in marginal profit of whiskey, spirits (0.2) Sales decrease in followings: <i>Happo-shu</i> (0.0, 1,783 KL) Change in product mix, etc.
Increase in marginal profit of pharmaceutical business			0.9	
Decrease in labor cost			0.4	18.0 17.6 Employees' pension and retirement benefit expenses 0.2, etc.
Raw materials cost of alcohol beverages			0.4	Price decrease of Cans and cartons 0.1, etc.
Depreciation			0.0	7.4 7.4
Increase in factory expenses, etc.			(0.4)	
Increase in selling cost			(4.1)	Increase in sales promotion and advertising (4.0), etc.
Increase in Operating income	1.8	(5.5)	7.3	
Increase in net of Non-operating income and expenses			1.4	Increase in financial profit, net 1.8 (5.2 7.0), etc.
Increase in Ordinary income	9.2	0.5	8.7	
Increase in net of Special income and expenses			0.2	Increase in gain on sale of investment securities 0.3, etc.
Increase in Income taxes			(2.9)	0.5 3.4
Increase in Net income	6.4	0.4	6.0	

Non-consolidated

**4. Major Expenses and Others**

( ¥ billions )

	2006		2005	
	The 1st quarter Actual	Annual Forecast (Disclosed on February 17,2006)	The 1st quarter Actual	Annual Actual
Research and development expenses	6.2	26.9	5.7	26.6
Labor cost	17.6	72.3	18.0	73.9
Depreciation	7.4	33.8	7.4	32.4
Financial profit, net	7.0	18.7	5.2	13.9

## Non-consolidated

### 5. Major Fluctuations of Assets and Liabilities

( ¥ billions )

	2006 The 1st quarter Actual	2005 The 1st quarter Actual	Increase (Decrease)	Reference
<b>ASSETS</b>				
Fixed Assets				
Investments and Other Assets				
Investment securities	289.9	249.9	40.0	Increase in net unrealized holding gains on securities along with the improvement in stock price, etc.
Investment in subsidiaries and affiliates	317.1	278.4	38.7	Increase due to reclassification of investment securities, etc.
<b>LIABILITIES</b>				
Current Liabilities				
Bonds due within one year	70.0		70.0	Increase due to reclassification of bonds due within one year.
Deposits received	23.1	38.0	(14.9)	Decrease due to the sales termination of gift coupon, etc.
Long-term Liabilities				
Bonds	40.0	110.0	(70.0)	Decrease due to reclassification of bonds due within one year.
Long-term debt	56.5	26.1	30.4	Increase in borrowing from financial institution.
Other	68.9	31.9	37.0	Increase in deferred tax liabilities due to increase in net unrealized holding gains on securities along with the improvement in stock price and others, etc.
<b>SHAREHOLDERS' EQUITY</b>				
Net unrealized holding gains on securities	101.8	51.0	50.8	Increase in net unrealized holding gains on securities along with the improvement in stock price, etc.