

# **Kirin 2006 results presentation**

## **Fiscal year ended December 31, 2006**

**February 2007**

**KIRIN BREWERY COMPANY, LIMITED**

## **GROUP MANAGEMENT OVERVIEW**

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## **2006 RESULTS OVERVIEW, 2007 FORECASTS**

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**Performance trends**

**2006 results and 2007 forecasts (consolidated)**

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## **SUPPLEMENTARY MATERIALS**

## 2006 review

### Progress in building base for quantum leap in growth

- Announced long-term business framework KV2015, and medium-term business plan KV2015 Stage I
- Core domestic alcohol business returned to growth
- Strengthened comprehensive alcohol beverages business through business and capital alliance with Mercian
- Strengthened collaboration through Kirin Beverage becoming a wholly owned subsidiary
- Strengthened business base in China (Yangtze Delta, new plant at Kirin (Zhuhai), soft drinks)
- Increased dividends      2006 (planned): ¥17    Dividend payout ratio: (Cons. 30.4%, Non-Cons. 29.7%)  
    \*Annual dividends: 2003: ¥12      2004: ¥13.5      2005: ¥14.5

## 2007 plan

### Shift to new structure and embark on next 100 years

- Shift to holding company structure
- Domestic alcohol business: Drive the beer category forward through the introduction of a major new product
- Domestic soft drinks business: Major top-line expansion through our comprehensive beverages strategy
- Pharmaceuticals: Move to next stage through launch of KRN321
- Make more aggressive use of balance sheet. Strengthen cash flow management
- Enhance shareholder returns: Planned 2007 dividend: ¥18    Planned consolidated dividend payout ratio: 31.3%

# 2006 results overview

**Consolidated**

**Group strength supported income largely in line with targets**

## Record operating income of ¥116.3 bn

**4th consecutive year of record income**    **Driven by domestic and overseas alcohol and soft drinks businesses**

(billion yen)	2006 results	2005 results	Change %	Change in yen	2006 initial forecasts	2006 revised forecasts	Achievement rate
Sales	1,665.9	1,632.2	+2.1%	33.7	1,670.0	1,680.0	(0.8%)
Operating income	116.3	111.7	+4.2%	4.6	117.0	117.0	(0.6%)
Ordinary income	120.8	114.8	+5.2%	6.0	118.0	118.0	+2.4%
Net income	53.5	51.2	+4.4%	2.3	54.0	54.0	(0.9%)

\*Achievement rate is compared to 1H forecasts

**Non-consolidated**

**Contributions from new genre and happo-shu**

## Income targets basically achieved, with domestic alcohol business the driver

**Beer + happo-shu + new genre sales volumes up 4.8%**    **Pharmaceuticals strong, aside from flat-sum reimbursement for EPO**

(billion yen)	2006 results	2005 results	Change %	Change in yen	2006 initial forecasts	2006 revised forecasts	Achievement rate
Sales	960.7	935.6	+2.7%	25.1	968.0	977.0	98.3%
Operating income	59.9	58.1	+3.1%	1.8	61.0	61.0	98.2%
Ordinary income	88.1	72.5	+21.6%	15.6	80.0	88.0	100.1%
Net income	54.6	43.8	+24.5%	10.8	49.0	55.0	99.3%

\*Achievement rate is compared to 1H forecasts

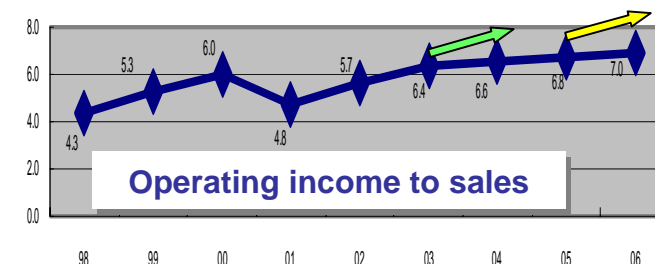
# 2004-2006 medium-term business plan targets and results

**Operating income to sales:** Steadily improved in last 3 years. Achieved medium-term target  
**ROE:** Income steadily increasing, but issues remain in equity management  
**Sales:** Expansions in new genre and happo-shu, where unit prices are low. Target not-attained at Kirin Beverage  
 \*Domestic beer + happo-shu + new genre sales volumes reached medium-term targets

## Consolidated operating income to sales

(%)	2003	2004	2005	2006
Operating income to sales	6.4	6.6	6.8	7.0

(Results)

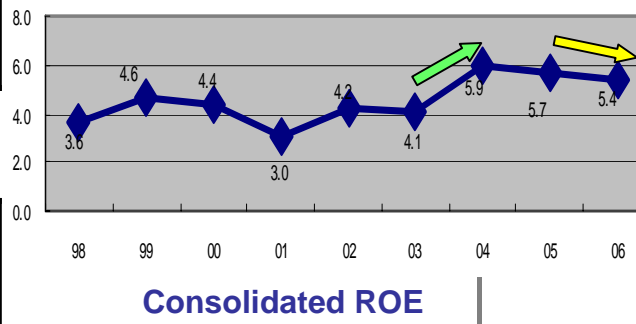


## Consolidated ROE

\*Target on formulation of 2004-2006 medium term business plan: 7.0

(%)	2003	2004	2005	2006
ROE	4.1	5.9	5.7	5.4

(Results)



## Sales

\*Target on formulation of 2004-2006 medium term business plan: 6.0

(billion yen)	2003	2004	2005	2006
Cons.	1,597.5	1,654.8	1,632.2	1,665.9
Non-cons.	961.8	956.9	935.6	960.7

(Results)

## EBITDA

\*Target on formulation of 2004-2006 medium term business plan: 1,860.0 (consolidated)  
(for reference)

(billion yen)	2003	2004	2005	2006
EBITDA	165.4	193.5	188.4	191.1

(Results)

EBITDA: Earnings before interest, taxes, depreciation and amortization

## 2006: Key points by business segment (Alcohol beverages)

### Alcohol beverages

(billion yen)	2006 results	2005 results	Change %	Change in yen
Consolidated sales	1,063.3	1,019.3	104.3%	44.0
Operating income	83.2	75.6	110.1%	7.6

Operating income is before eliminations

### Domestic

**Second consecutive year of growth in beer + happo-shu + new genre. Up 4.8% YoY (overall market down about 1%)**

- Continued strong growth of *Nodogoshi Nama. Kirin Enjuku* a hit. Growth in *Tanrei Green Label*.
- Market share up 1.9 points YoY (2006: 37.6%)
- Marginal profit in beer + happo-shu + new genre up ¥10.8 bn YoY
- Domestic alcohol business marketing and advertising costs up approx. ¥1.7 bn YoY
- Sales of shochu, spirits and wine ¥32.1 bn, up ¥1.4 bn YoY

**Business alliance with and capital participation in Mercian, aiming to be Japan's strongest comprehensive alcohol beverages group**

- Established a bridgehead for securing No. 1 position in wine and developing shochu business. Aiming to expand RTD business and strengthen No. 1 position

### Overseas

**Continued strong performance by Lion Nathan**

Sales up ¥15.3 bn and operating income up ¥3.3 bn (YoY, after consolidation goodwill and brand amortization), due to contribution from Australian beer business

**Continued growth by San Miguel**

- Higher revenue and income due to new business expansion (Australian National Foods) in spite of slowdown in domestic beer sales and soft drinks business (compared to Jan.-Sept. 2005). \*From 2006, Kirin has calculated equity in earnings of San Miguel based on its financial statements from Jan. to Sept.

**Pursued business in three key regions of China**

- Yangtze River Delta: Made 25% equity participation in Hangzhou Qiandaohu Co.
- Pearl River Delta: Began construction of new plant at wholly owned subsidiary Kirin (Zhuhai) Co., which will double production capacity (scheduled to be completed in June 2007)
- Three Northeast provinces: Launched first KIRIN brand beer, *Zui Qilin*, at Dalian Daxue Brewery Co.

# 2006: Key points by business segment slide 2 (Soft drinks)

**Soft drinks**

(billion yen)	2006 results	2005 results	Change %	Change in yen
Consolidated sales	392.7	380.1	+3.3%	12.6
Consolidated operating income	19.7	19.3	+1.8%	0.4

Operating income is before eliminations

**Kirin Beverage**

**Increased revenue and income over last year**

- Top-line growth and good control of marketing and advertising expenses contributed

**Domestic sales volumes up 3% YoY, exceeding the industry average (down 1%)**

- Total marketing focused on development and growth of core brands
- Increased vending machine numbers and secured more display columns through strengthening vending machine operator strategy

**Pursued Group synergies**

- Began productions of *Kirin Alkali-Ion-no-Mizu* at Kirin Breweries Hokuriku plant
- Started full-scale delegation of in-store merchandising services to Kirin communications Stage Co.

**Overseas business**

- Entered Thailand, began production and sale of *Namacha*
- Established Kirin Beverage (Shanghai) Co., Ltd. as production and sales company for China

**Higher revenues at CCNNE**

CCNNE: Manufactures and sells Coca-Cola products and others in the New England region of the United States

## 2006: key points by business segment slide 3 (Pharmaceuticals, other)

## Pharmaceuticals

(billion yen)	2006 results	2005 results	Change %	Change in yen
Consolidated sales	67.2	67.6	(0.5%)	(0.4)
Consolidated operating income	12.0	14.2	(15.5%)	(2.2)

Operating income is before eliminations

**Major impact from NHI pricing revisions and flat-sum reimbursement for EPO**

Marginal profit for segment decreased ¥2.4 billion

**Product pipeline reached next stage**Launched *Busulfex* (KRN246). Application submitted for KRN1493. KRN 321, targeting cancer area, moved from Phase II to Phase III.**Much higher revenues in Asian region from contribution of Aranesp and others**Total sales from four overseas companies (China, Hong Kong, Taiwan, Korea) in FY06 approx. ¥6.8 bn (up ¥1.8 bn from FY05). In ASEAN countries, began sale of *Busulfex* in Thailand.

\*See slide 35 for details

## Other

(billion yen)	2006 results	2005 results	Change %	Change in yen
Consolidated sales	142.6	165.1	(13.6%)	(22.5)
Consolidated operating income	3.5	4.4	(19.4%)	(0.9)

Operating income is before eliminations

**Established Kirin Yakult NextStage to serve as core of health foods and functional foods business****Takeda-Kirin Foods and Daesang Corporation of Korea created joint venture to manufacture seasonings in Indonesia****Divested non-core businesses (travel agency, leasing, restaurants, etc.) as part of drive to concentrate our business resources**

# 2007-2009 medium-term business plan: Business targets



**FY2007 plan:** Maximize sales in each business segment through balanced approach in severe external environment

**Sales** Increase top line through active marketing focusing on domestic alcohol and domestic soft drinks

**Operating income** Pursue higher operating income; operating income to sales ratio likely to be impacted by higher raw material costs, etc.

**ROE** Seek improvement through asset liquidation, enhancement of shareholder returns, business investment targeting growth, etc.

(billion yen)

Quantitative targets		2006 results	2007 targets	2009 targets
Consolidated sales	Incl. alcohol tax	1,665.9	<b>1,880.0</b>	2,150.0
	Excl. alcohol tax	1,263.6	<b>1,450.0</b>	1,700.0
Operating income		116.3	<b>121.0</b>	150.0
Operating income to sales	Incl. alcohol tax	7.0%	<b>6.4%</b>	7% +
	Excl. alcohol tax	9.2%	<b>8.3%</b>	9%
ROE		5.4%	-	7% +

## Targeting steady growth using comprehensive Group strengths in the first year of KV2015 Stage 1

(billion yen)	2007 forecasts	2006 results	Change %	Change in yen
Sales	1,880.0	1,665.9	+12.8%	214.1
Operating income	121.0	116.3	+4.0%	4.7
Ordinary income	121.0	120.8	+0.1%	0.2
Net income	55.0	53.5	+2.8%	1.5



**Aiming for 5th consecutive year of record operating income  
through Group strength**

### Sales

- Grow domestic alcohol business, with contribution from newly consolidated Mercian
- Increase sales volumes at Kirin Beverage
- Increase top line in pharmaceuticals through launch of KRN321, etc.

### Operating income

- Drive growth through higher income in domestic alcohol business

# 2007: key points by business segment slide 1 (alcohol beverages)

## Alcohol beverages

(billion yen)	2007 targets	2006 results	Change %	Change in yen
Consolidated sales	1,203.9	1,063.3	+13.2%	140.6
Consolidated operating income	92.9	83.2	+11.6%	9.7

Operating income is before eliminations

## Domestic

**Fundamentally strengthen beer, with launch of *Kirin The Gold* pivotal, and further strengthen happo-shu and new genre, aiming to secure even more support from customers**

- Aiming for 5.6% growth in beer + happo-shu + new genre through continued active marketing investment
- Marketing and advertising costs in domestic alcohol business expected to increase ¥3.4 bn from previous year
- Record-high advertising investment planned for *Kirin The Gold*: monitor campaign for 100,000 consumers, widespread pre-launch sampling, etc.

**Pursue business alliance with Mercian Corporation, targeting early development of new product portfolio**

- Aiming to start the new systems before the introduction of a holding company structure in July 2007

**Capital investment to respond to diversification of consumer tastes and improve production efficiency**

- Classify domestic plants into mid- to high-volume production plants and low volume, multiple item production plants. Capital investment to enable us to launch multiple, high value added products (about ¥100.0 bn planned over 3 years of medium term plan to 2009)
- Renewing Shiga plant with investment of approx. ¥20.0 bn. Raising capabilities and efficiency as a low-volume, multiple-product plant

**Continue cost cutting initiatives to counteract rising raw material costs and others**

## Overseas

**Increase Group synergies, focusing on Lion Nathan and San Miguel**

- Seek continued stable profit contributions, particularly from Lion Nathan
- Reduce material costs and consider item expansion through alliances and joint procurement between Lion Nathan and San Miguel

**Achieve sustainable growth in three key regions in China**

- Yangtze River Delta: Start production of KIRIN brands at Hangzhou Qiandaohu Brewery Co.; Pearl River Delta: Start production at new Kirin (Zhuhai) brewery ; Three Northeast provinces: Expand sales of *Zui Qilin*

**Expand sales volumes: Focusing on Asia - KIRIN brand: 54,496 KL (+28.3%), Non-KIRIN brand 1,456,964 KL (+5.6%)**

**Seek new alliances in ASEAN countries and others**

**Soft drinks**

(billion yen)	2007 targets	2006 results	Change %	Change in yen
Consolidated sales	434.5	392.7	+10.6%	41.8
Consolidated operating income	21.2	19.7	+7.9%	1.5

Operating income is before eliminations

## Kirin Beverage Corporation

### Target an 11% year-on-year increase in domestic sales volumes

- Adopt more advanced total marketing approach focused on brand, channel and area
- Expand core brands (+12%) and start up new brands (*Namacha* renewal, etc.)
- Increase vending machine numbers and secure more display columns

### Strengthen operating base

- Invest actively for sustainable growth, such as by increasing the number of vending machines in service
- Strengthen new market development through area initiatives

### Pursue Group synergies

- Pursue comprehensive beverages strategy (Kirin Group cooperation and teamwork at all points on value chain)

### Develop overseas soft drinks business

- Step up investment in growth markets
- Develop high added value differentiation strategy (exploring and pioneering markets)
- Produce *Namacha* at San Miguel, Thailand

# 2007: key points by business segment slide 3 (Pharmaceuticals, other)

## Pharmaceuticals

(billion yen)	2007 targets	2006 results	Change %	Change in yen
Consolidated sales	70.0	67.2	+4.1%	2.8
Consolidated operating income	13.0	12.0	+7.9%	1.0

Operating income is before eliminations

### Strengthen base in focus areas (renal, cancer)

Increase share through launch of KRN 321 (dialysis treatment)

Enhance sales capacity, boosting medical representatives to 500

### Enhance product pipeline and take to next stage R&D costs of ¥19.0 bn expected (2006: ¥18.2 bn)

- Aim to acquire approval for KRN1493
- Accelerate development of human antibodies

### Strengthen position in Asia Targeting sales of ¥7.0 bn in 2007 (2006: ¥6.8 bn)

Scheduled to start business in Singapore and Malaysia

\*See page 35 for details

## Other

(billion yen)	2007 targets	2006 results	Change %	Change in yen
Consolidated sales	171.6	142.6	+20.3%	29.0
Consolidated operating income	4.7	3.5	+33.8%	1.2

Operating income is before eliminations

### Full-scale start of Kirin Yakult NextStage

Takeda-Kirin Foods to become wholly-owned subsidiary in April and change name to Kirin Food-Tech

Full-scale production to start at new factory in Indonesia

In agribio, resources will be concentrated in the seedlings business

## Cash flow

- Generation of approx. ¥100.0 bn in operating cash flow in 2007

## Investment plan

- Stepping up business investment targeting quantum leap in growth (¥300.0 bn in 2007-2009)
- Capital investment of ¥97.0 bn planned in 2007, for active use in domestic alcohol and other businesses (2006: ¥59.9 bn)

## Returns to shareholders

- Dividends: 4th straight year of increase  
2007 dividend forecast: ¥18 (forecast dividend payout ratio: 31.3%)  
\*Annual dividends: 2003: ¥12 2004: ¥13.5 2005: ¥14.5 2006 ¥17.0 (planned)  
\*No commemorative dividend for centenary. Our policy is to increase dividends as result of business growth
- Acquisition of treasury shares: Flexibly conducted

## Funding

- Free up capital through disposal of securities, real estate, etc.
- Business investment funds procured through borrowing or issuing corporate bonds as necessary



**2006 Results Overview**  
**2007 Forecasts**

**(consolidated and non-consolidated)**

**Basic policy**

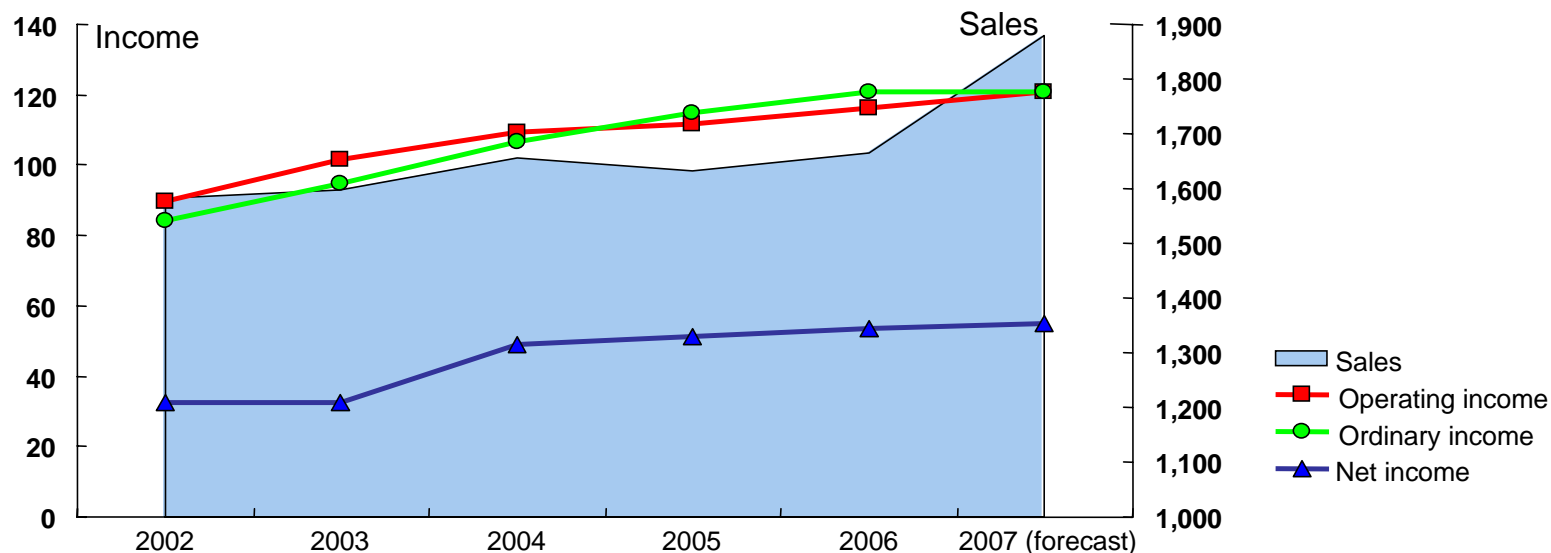
**Concomitant with the change to a holding company structure, disclosure will focus on consolidated performance and business segments**

- Non-consolidated:**
- Due to shifting to a holding company structure in July, forecasts are being issued only for the first half of the year.
  - First half forecasts are based on the current Kirin Brewery Company, Limited
    - Discussions with Mercian regarding business reorganization and related matters are currently in progress. The impact of any potential outcomes is not reflected in non-consolidated forecasts.
- Consolidated:**
- For Mercian Corp., B/S is consolidated as of Dec. 2006. P/L will be consolidated from 2007 onwards.
    - Discussions with Mercian regarding business reorganization and related matters are currently in progress. Consolidated forecasts for 2007 are based on Mercian's most recent forecasts, adjusted for any special factors.
- Other:**
- Forecasts for principal companies such as the new Kirin Brewery and Kirin Pharma are not being disclosed due to the transition period
    - For reference, 2007 annual sales forecasts are being provided for alcohol beverages and pharmaceuticals, based on the current non-consolidated Kirin Brewery operations.
  - The impact of changes to the accounting method for Group HQ expenses on results by consolidated business segment will, for 2007 2H and 2008 1H, increase operating income mainly in alcohol beverages and decrease Eliminations or Corporate
    - Jan-June 2007, prior to introduction of holding company:  
 Group HQ expenses for the Kirin parent company will be distributed by segment (mainly alcohol beverages and pharmaceuticals) in accordance with their respective sales levels.
    - After July 2007, on introduction of holding company:  
 Excluding real estate operations, Kirin Holdings HQ expenses will be recorded under Eliminations or Corporate

# Performance trends

Consolidated

Record operating income for the fourth year in a row: ¥116.3 billion achieved



Consolidated	2002	2003	2004	2005	2006	2007 forecasts
Sales	1,583.2	1,597.5	1,654.8	1,632.2	1,665.9	1,880.0
Operating income	89.7	101.5	109.3	111.7	116.3	121.0
Ordinary income	84.4	94.6	106.5	114.8	120.8	121.0
Net income	32.5	32.3	49.0	51.2	53.5	55.0
EBITDA	157.7	165.4	193.5	188.4	191.1	—

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

Non-consolidated

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

# Consolidated sales and operating income by segment (2005 2006 2007 forecasts)

**Sales – With the inclusion of Mercian Corporation, we expect to achieve further growth, centered on the alcohol and soft drinks business**

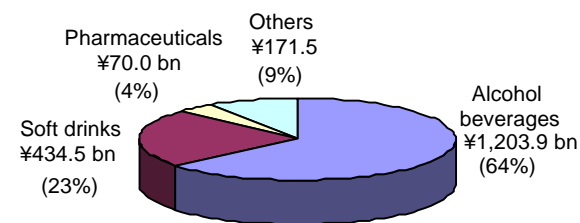
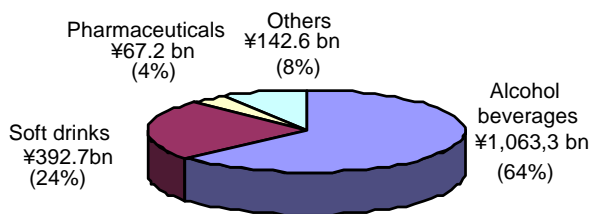
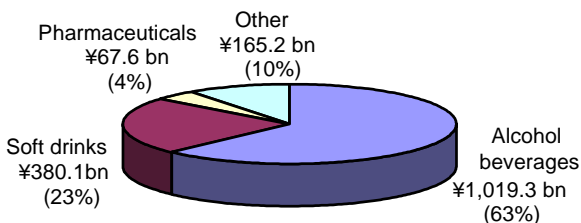
**2005**  
**¥1632.2 billion**

Alcohol beverages: +44.0  
Soft drinks: + 12.6  
Pharmaceuticals: (0.4)  
Other: (22.5)  
Total: +33.7

**2006**  
**¥1,665.9 billion**

Alcohol beverages: + 140.6  
Soft drinks: + 41.8  
Pharmaceuticals: + 2.8  
Other: +28.9  
Total: + 214.1

**2007 (forecasts)**  
**¥1,880.0 billion**



**Operating income – We forecast an earnings increase based on the alcohol business and balanced with the soft drinks and pharmaceuticals businesses. We are aiming for record profits.**

**2005**  
**¥111.7 billion**

Alcohol beverages: +7.6  
Soft drinks: + 0.4  
Pharmaceuticals: (2.2)  
Other: (1.2)  
Total: +4.6

**2006**  
**¥116.3 billion**

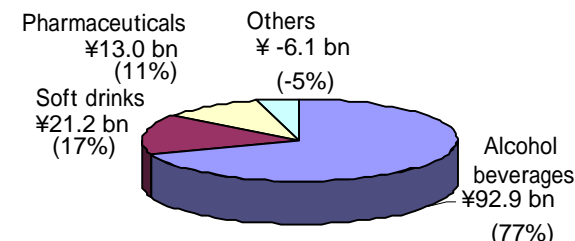
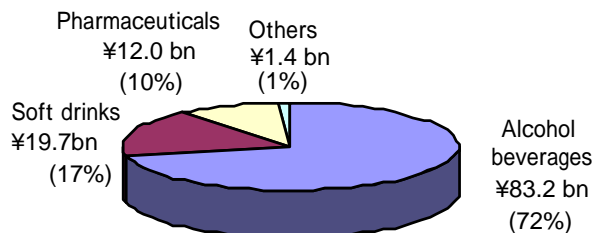
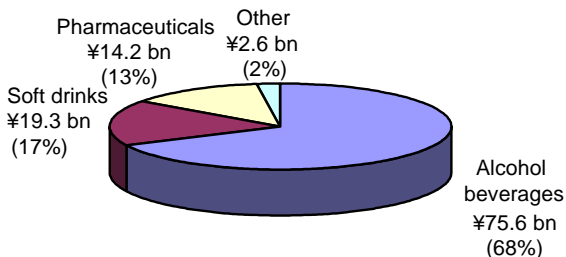
Alcohol beverages: + 9.7  
Soft drinks: + 1.5  
Pharmaceuticals: + 1.0  
Other: (7.5)  
Total: + 4.7

**2007 (forecasts)**  
**¥121.0 billion**

(Before all companies and eliminations: ¥113.7 bn)

(Before all companies and eliminations: ¥118.5 bn)

(Before all companies and eliminations: ¥131.9 bn)



# Alcohol Beverages Business Consolidated Results and Forecasts

(billion yen)	2005	Change	2006	Change	2007 (forecasts)
Consolidated segment sales	1,019.3	44.0	1,063.3	146.1	1,203.9
Consolidated segment operating income	75.6	7.6	83.2	9.7	92.9
Domestic alcohol business sales	858.6	26.5	885.1	52.9	938.0

(reference)

Lion Nathan sales (billion yen)	144.9	15.3	160.2	5.9	166.1
Lion Nathan operating income (billion yen)	25.5	3.3	28.8	1.1	29.9

As Lion Nathan does not disclose results forecasts, figures for fiscal 2006 have been converted into Yen at a rate of AU\$1 to ¥90.00 and displayed as 2007 forecasts.

## 2006 results (compared to 2005)

### Main factors increasing income

#### Kirin Brewery:

Higher marginal profit from alcohol beverages: ¥11.7 billion (higher volume sales of new genre: 140,000 KL, others)

#### Lion Nathan:

Higher operating income: ¥3.3 billion

### Main factors decreasing income

#### Kirin Brewery:

Higher alcohol raw material prices: ¥1.1 billion (Higher barley prices: ¥0.7 billion, others)

Higher plant expenses: ¥2.3 billion (fuel price increase: ¥0.6 billion, higher maintenance expenses: ¥0.5 billion, others)

Higher merchandising and advertising expense: ¥1.7 billion (beer, happo-shu, new genre (¥0.6) billion, chu-hi ¥2.1 billion, others)

Higher personnel expenses: ¥1.5 billion (established reserve due to revision of bonus policy, others)

Others factors in the segment: ¥0.8 billion

## 2007 full year forecasts (compared to 2006)

### Main factors increasing income

#### Kirin Brewery:

Higher marginal profit from alcohol beverages: ¥19.2 billion (Higher volume sales of new genre: 54,000 KL, others)

#### Lion Nathan:

Higher operating income: ¥1.1 billion

Others factors in the segment: ¥0.2 billion (Mercian and others)

### Main factors decreasing income

#### Kirin Brewery:

Higher alcohol raw materials ¥7.0 billion (Higher price of cans and cartons, higher malts price, higher syrup price, others)

Higher plant expenses: ¥0.4 billion (new keg expense: ¥0.5 billion, other)

Higher sales promotion and advertising expense: ¥3.4 billion

# Soft Drinks Business Consolidated Results and Forecasts

(billion yen)	2005	Change	2006	Change	2007 (forecasts)
Consolidated segment sales	380.1	12.6	392.7	41.8	434.5
Consolidated segment operating income	19.3	0.4	19.7	1.5	21.2

(reference)

Kirin Beverage consolidated sales	379.3	7.4	386.7	-	-
Kirin Beverage consolidated operating income	16.0	1.0	17.1	-	-

Figures for Kirin Beverage consolidated sales and operating income include results from businesses other than the soft drinks segment (Koiwai and others)

## 2006 results (compared to 2005)

### Main factors increasing income

Kirin Beverage:

Difference in volume sales: ¥7.0 billion  
(volume sales increased by 7,325,000 cases)

### Main factors decreasing income

Kirin Beverage:

Higher merchandising and advertising expense:  
¥2.7 billion

Higher transportation expense: ¥0.6 billion

Other factors in the segment: ¥3.3 billion

## 2007 full year forecasts (compared to 2006)

### Main factors increasing income

Kirin Beverage:

Difference in volume sales: ¥22.7 billion  
(volume sales increased by 22,088,000 cases)

### Main factors decreasing income

Kirin Beverage:

Difference in container composition, etc.: ¥4.8 billion  
Higher merchandising and advertising expense: ¥8.2 billion  
Higher vending machine-related expense: ¥1.4 billion  
Higher transportation expense: ¥2.3 billion

Other factors in the segment: ¥4.5 billion

# Pharmaceuticals Business Consolidated Results and Forecasts

(billion yen)	2005 (actual)	Change	2006 (actual)	Change	2007 (forecasts)
Consolidated segment sales	67.6	(0.4)	67.2	2.8	70.0
Non-consolidated sales	64.0	(2.2)	61.8	2.2	64.0
Consolidated segment operating income	14.2	(2.2)	12.0	1.0	13.0
R&D expense	18.7	(0.5)	18.2	0.8	19.0
ESPO sales	43.1	(3.1)	40.0	4.0	44.0*
GRAN sales	16.1	(0.4)	15.7	(0.7)	15.0

\*2007 forecasts are the combined total of ESPO and KRN321

## 2006 results (compared to 2005)

### Main factors increasing income

Higher operating income at overseas subsidiaries: ¥0.4 billion

Decreased R&D expense ¥0.5 billion

### Main factors decreasing income

Decreased marginal profits due to flat-sum reimbursement for EPO and NHI price revisions: ¥2.4 billion

Higher operating expenses: ¥0.7 billion

## 2007 full year forecasts (compared to 2006)

### Main factors increasing income

Higher marginal profit due to higher product sales (including KRN321): ¥2.4 billion

### Main factors decreasing income

Higher R&D expense: ¥0.8 billion

Higher operating and other expenses ¥0.6 billion

# Changes in 2006 consolidated ordinary and net income

## Ordinary income

Unit: Billion yen  
unless stated

Non-operating income (loss)	1.4		
	1.8	Net interest(expense)	
	(0.3)	Investment profit(loss) on equity method ( includes San Miguel -0.4, Kirin Amgen + 1.8, Kinki Coca-Cola Bottling -1.7)	
	(0.1)	Others	
<b>Change</b>	<b>6.0</b>	<b>2005: 114.8</b>	<b>2006: 120.8</b>

## Net income

Special income (loss)	(3.4)		
	6.3	Gain on sale of investment securities	
	(1.7)	Loss on disposal of fixed assets	
	(2.1)	Loss on change of the pension and retirement benefit system	
	(5.9)	Business restructuring expenses and impairment losses	
Income tax, minority interests	(0.3)		
	1.6	Minority interests ( -8.7 -7.1 )	
	(1.9)	Income taxes	
<b>Change</b>	<b>2.3</b>	<b>2005: 51.2</b>	<b>2006: 53.5</b>

Main exchange rates used in accounting for earnings at overseas entities	2006	2005
Lion Nathan (Australian dollar)	¥86.83	¥82.45

Note: For Lion Nathan's 2006 results, part of operating income was reallocated as special income. The above figures reflect that change.

## Additional information

Non-operating income:

Investment profit(loss) on equity method:

San Miguel: Results for 2006 are based on figures for Q3 results.

For this year only, consolidation is for the nine-month period Jan 2006 → September 2006

Kirin Amgen: Increase in royalty income

Kinki Coca-Cola Bottling: Excluded from equity-method company scope from 2006 2H

Special income(loss):

Loss on change of the pension and retirement benefit system: partial adoption of DC system

Business restructuring expenses: Arising from restructuring at Lion Nathan

# Changes in 2007 forecast consolidated ordinary and net income

## Ordinary income

Unit: Billion yen  
unless stated

Non-operating income (loss)	(4.5)		
	(3.4)	Investment profit(loss) on equity method (higher R&D expenses at Kirin Amgen, Inc(USA) etc.)	
	(1.1)	Others	
<b>Change</b>	<b>0.2</b>	<b>2006: 120.8</b>	<b>2007 forecast: 121.0</b>

## Net income

Special income (loss)	4.1		
	2.1	Absence of the pension and retirement benefit system impact from last year	
	2.0	Others (decreased loss on disposal of fixed assets, etc.)	
Income tax, minority interests	(2.8)		
	0.6	Minority interests (-7.1    -6.5)	
	(3.4)	Income taxes	
<b>Change</b>	<b>1.5</b>	<b>2006: 53.5</b>	<b>2007 forecast: 55.0</b>

Main exchange rates used in accounting for earnings at overseas entities

	2007 forecast	2006
Lion Nathan (Australian dollar)	¥90.00	¥86.83

Notes:

1. For Lion Nathan's 2006 results, part of operating income was reallocated as special income. The above figures reflect that change.
2. Because Mercian Corp. has not yet announced its financial results for 2006, forecasts for 2007 are based on the revised forecasts for 2006 previously announced by Mercian Corp.

## Additional information

Non-operating income:

Investment profit(loss) on equity method : higher R&D expenses at Kirin Amgen, Inc(USA) etc.

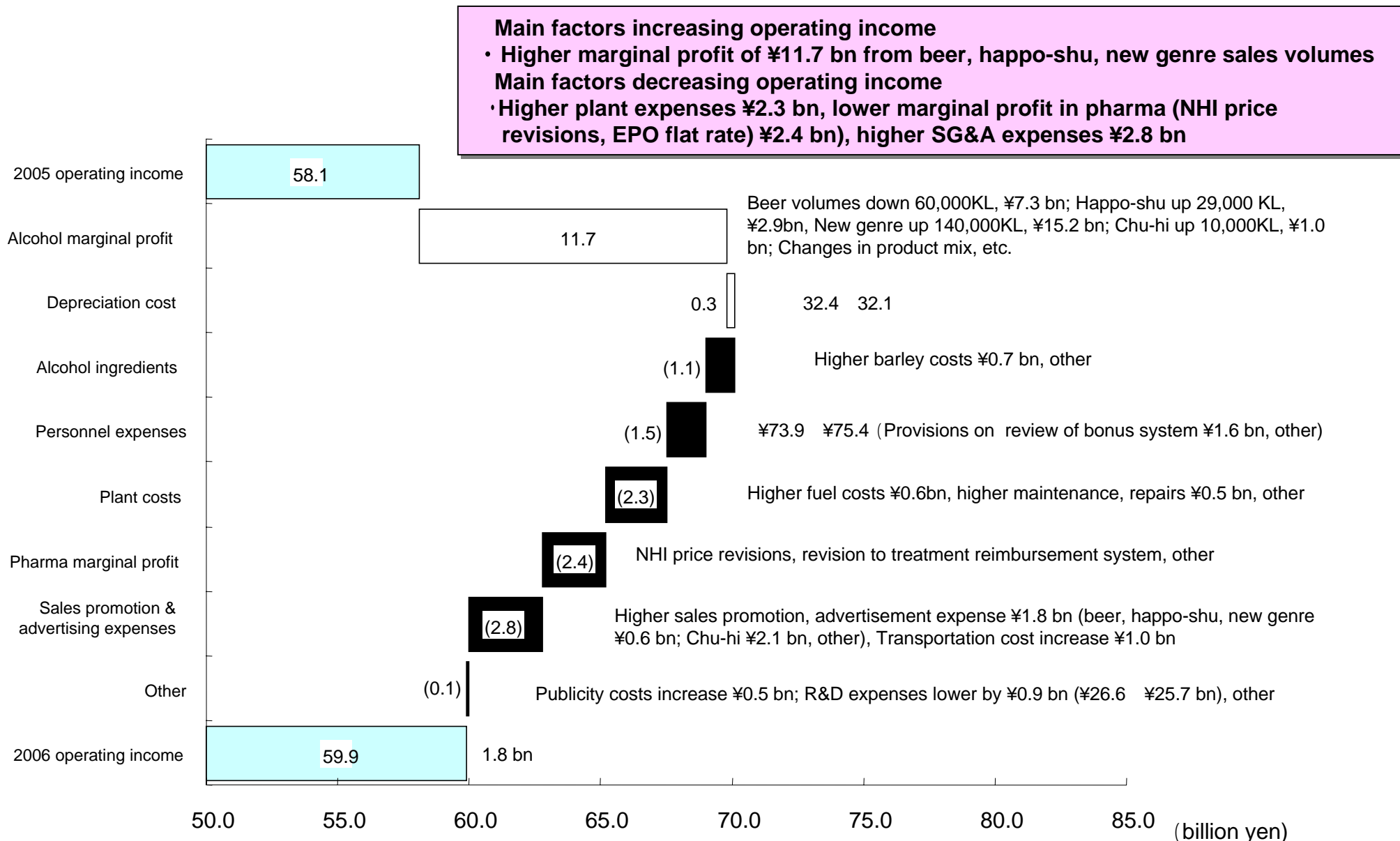
# Main factors influencing consolidated balance sheet

Increase accounts receivable, inventory assets and current liabilities from capital alliance with Mercian  
Goodwill was recognized and minority interests decreased with making of Kirin Beverage wholly owned  
Foreign currency translation adjustments increased with weakening yen

	Billion yen	2005	2006	Change	Comments
Assets	Accounts receivable	290.0	321.6	31.6	Increased with expanded scope of consolidation (Mercian, etc.), other
	Inventories	94.1	119.8	25.7	Increased with expanded scope of consolidation (Mercian, etc.), other
	Trade rights	22.5	-	(22.5)	Change in accounting method
	Consolidated adjustments	38.4	-	(38.4)	Change in accounting method
	Goodwill	-	96.8	96.8	Change in accounting method and additional acquisition of Kirin Beverage shares, etc.
Liabilities	Bonds due within 1 year	69.9	-	(69.9)	Decreased on repayment of Kirin Brewery bonds
	Deferred tax liabilities	20.2	33.6	13.4	Increased at Kirin Brewery, other
	Other current liabilities	45.1	62.9	17.8	Increased accrued expenses from expanded consolidation (Mercian, etc.)
	Long-term debt	54.2	116.5	62.3	Borrowings from financial institutions by Kirin Brewery, increases at LN, etc.
Shareholders' equity and net assets	Translation adjustments	(18.0)	(1.9)	16.1	Increase from weakening yen and translation adjustments on foreign companies, etc.
	Minority interests	79.2	49.7	(29.5)	Decreased by additional acquisition Kirin Beverage shares, etc.

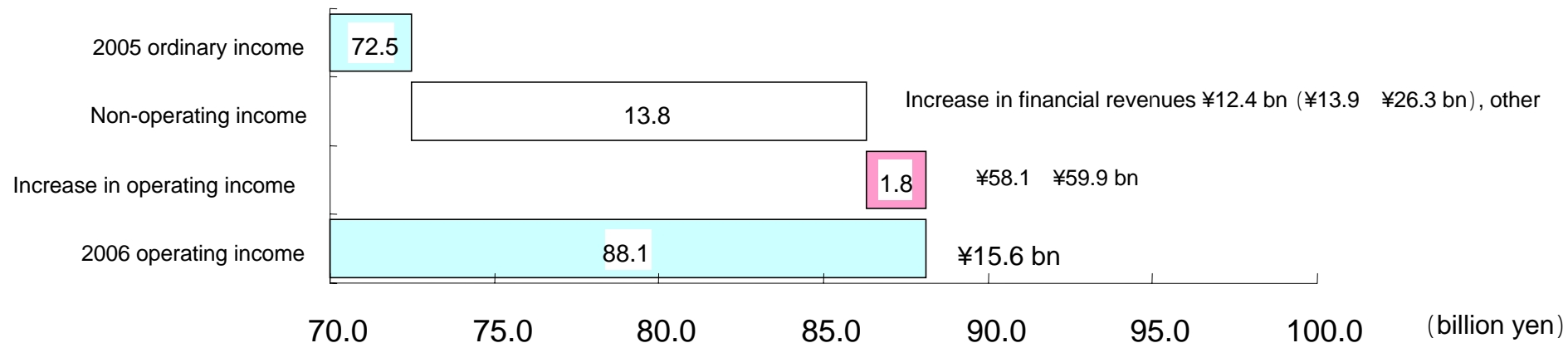
According to the revised financial statement regulations, consolidation differences and operating rights has been recorded as goodwill from FY2006 . Goodwill for 2006 includes ¥24 billion in operating rights.

# Changes in 2006 non-consolidated operating income

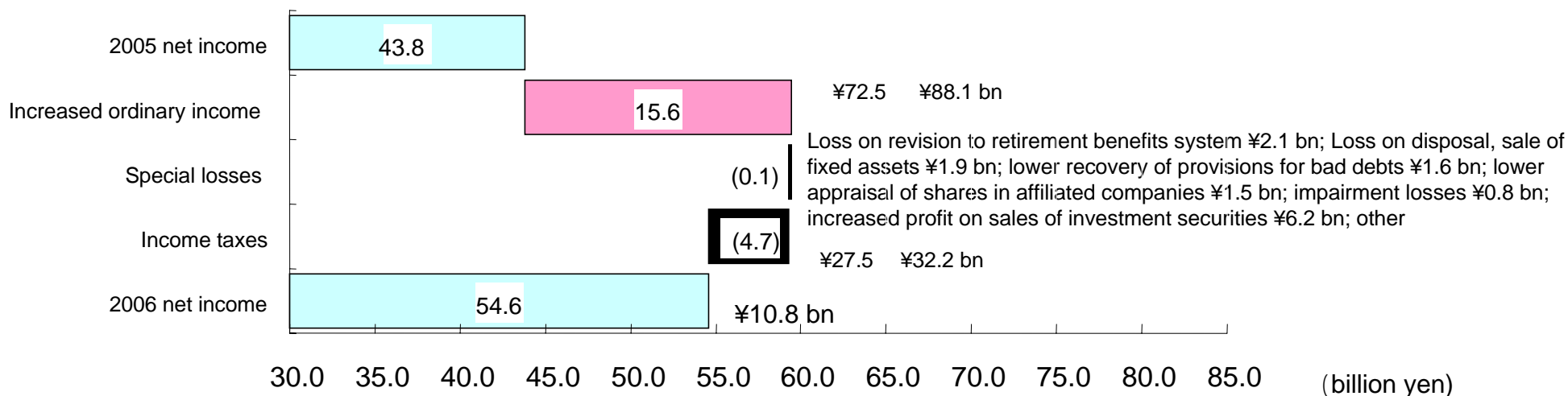


# Changes in 2006 non-consolidated ordinary and net income

## Ordinary income



## Net income





**Supplementary materials**

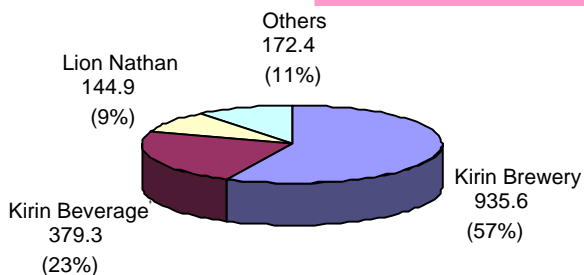
## Kirin Brewery, Kirin Beverage and Lion Nathan all showed higher profit and sales in 2006

### Sales

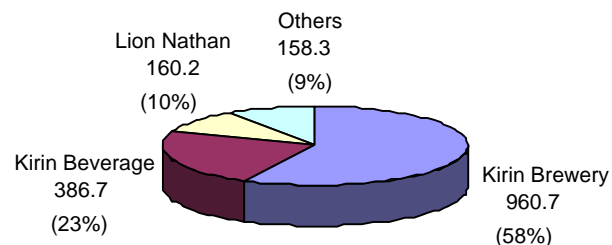
\*Sales for each company is prior to all company and eliminations

**2005**  
**¥1,632.2 billion**

Kirin Brewery:	+ 25.1
Kirin Beverage	+ 7.4
Lion Nathan:	+ 15.3
Others:	(14.1)
<b>Total:</b>	<b>+ 33.7</b>



**2006**  
**¥1,665.9 billion**



### Operating income

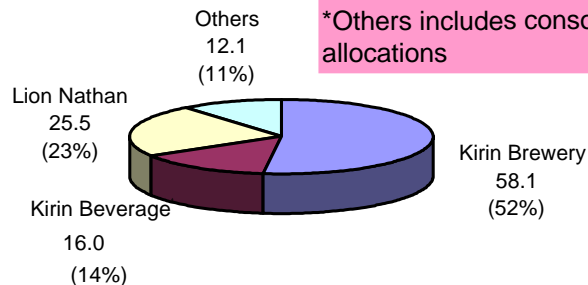
\*Operating income for each company is prior to all company and eliminations

\*Operating income for Lion Nathan is following adjustment for depreciation of intangible fixed assets and depreciation of goodwill

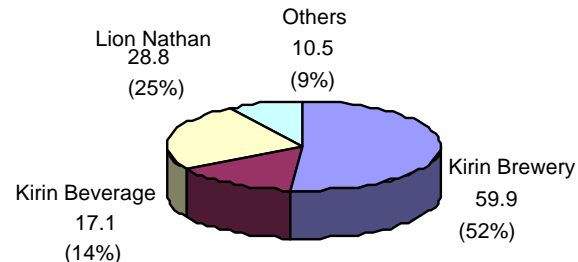
**2005**  
**¥111.7 billion**

Kirin Brewery:	+ 1.8
Kirin Beverage	+ 1.1
Lion Nathan:	+ 3.3
Others:	(1.6)
<b>Total:</b>	<b>+ 4.6</b>

\*Others includes consolidated allocations



**2006**  
**¥116.3 billion**



\* Because of the holding company transition, forecasts for the core companies (the new Kirin Brewery, Kirin Pharma, and others) have not been disclosed

# Non-consolidated full-year sales targets

Alcohol beverage sales volumes (compared to)	2007 forecasts		2006 actual		2005 actual	
	Thousand KL	%	Thousand KL	%	Thousand KL	%
<b>Total low alcohol beverages</b>	<b>2,763</b>	<b>5.3</b>	<b>2,623</b>	<b>4.7</b>	<b>2,505</b>	<b>0.0</b>
Beer*	1,067	4.6	1,019	(5.6)	1,079	(11.0)
Happo-shu*1	898	3.6	866	3.5	837	(20.3)
New genre	546	10.8	492	39.6	352	-
Sub-total	2,511	5.5	2,379	4.8	2,270	0.3
Chu-hi*1	208	(9.1)	228	4.8	218	(0.8)
Other	44	184.5	15	(5.1)	16	(23.4)
<b>Sales Breakdown (compared to previous year)</b>	<b>2007 forecasts</b>		<b>2006 actual</b>		<b>2005 actual</b>	
	<b>Billion yen</b>	<b>%</b>	<b>Billion yen</b>	<b>%</b>	<b>Billion yen</b>	<b>%</b>
<b>Total</b>	<b>938.0</b>	<b>6.0</b>	<b>885.1</b>	<b>3.1</b>	<b>858.6</b>	<b>(3.8)</b>
<b>Total low alcohol</b>	<b>902.0</b>	<b>5.7</b>	<b>853.0</b>	<b>3.0</b>	<b>827.9</b>	<b>(4.2)</b>
Beer*1	428.0	4.7	408.8	(5.8)	433.9	(11.4)
Happo-shu*1	265.0	3.7	255.4	4.0	245.6	(20.4)
New genre	140.0	12.6	124.3	44.6	85.9	-
Sub-total	833.0	5.6	788.5	3.0	765.5	(4.1)
Chu-hi*1	56.0	(7.5)	60.5	3.9	58.2	(0.7)
Other	13.0	229.2	3.9	(4.5)	4.1	(36.6)
<b>Shochu, wines &amp; spirits</b>	<b>36.0</b>	<b>12.1</b>	<b>32.1</b>	<b>4.5</b>	<b>30.7</b>	<b>5.4</b>
<b>Pharmaceuticals</b>	<b>64.0</b>	<b>3.4</b>	<b>61.8</b>	<b>(3.4)</b>	<b>64.0</b>	<b>6.1</b>

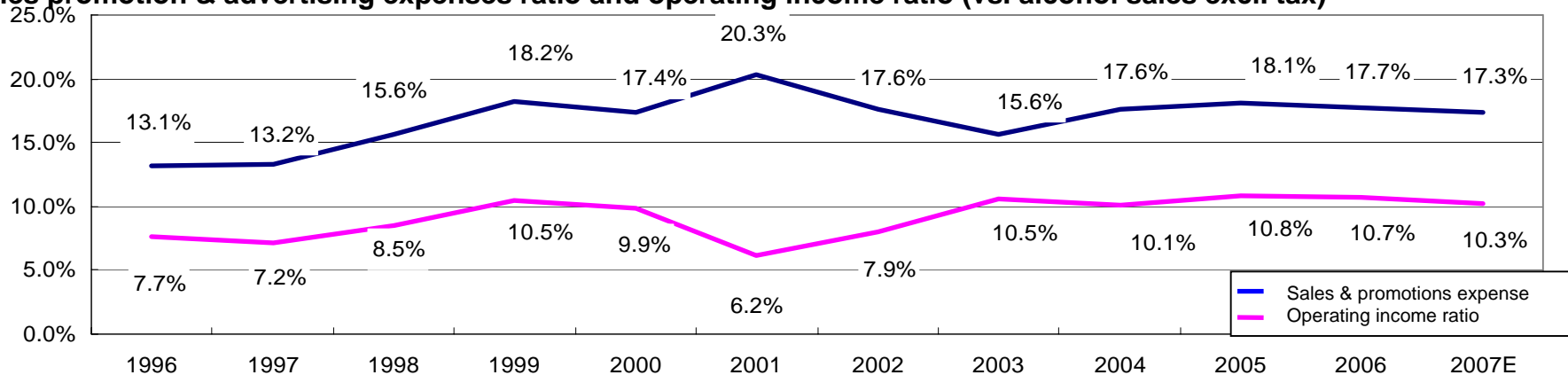
\*1 Includes exported volumes

\*2 Forecasts for fiscal 2007 are calculated as prior to the move to the holding company

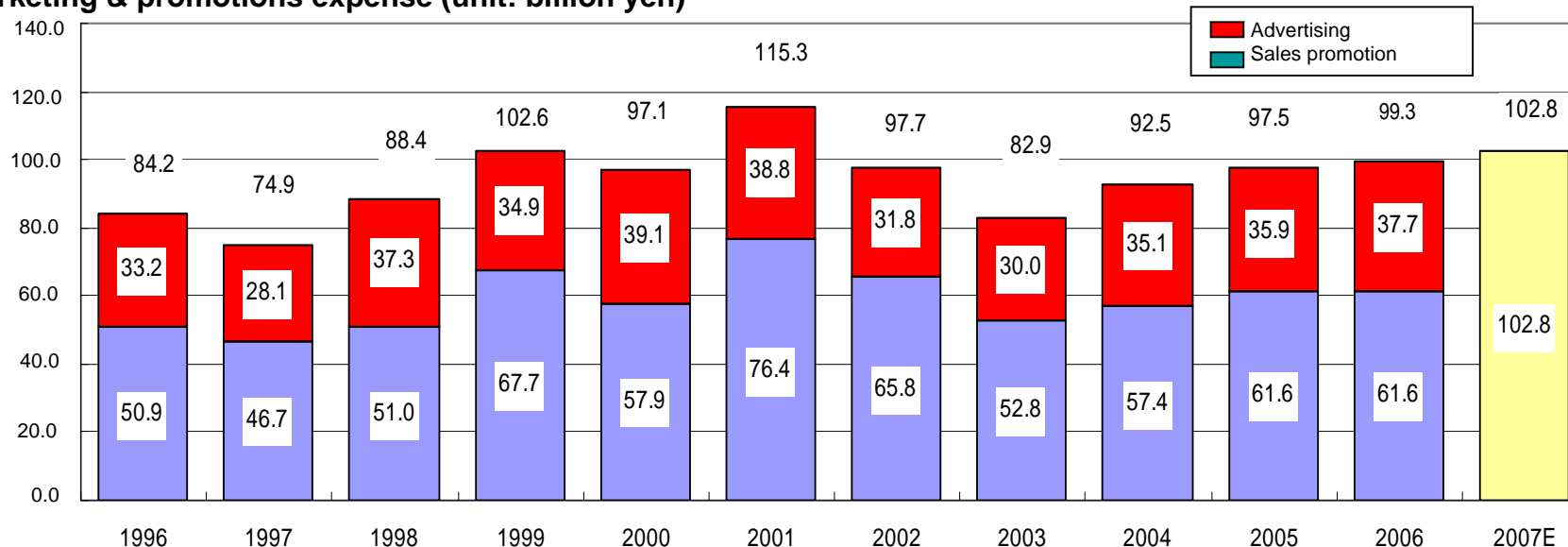
# Non-consolidated trends in sales promotion & advertising expenses and operating income ratio

- We intend to maintain 10% operating income ratio through higher marginal profits from higher volume sales in the domestic alcohol business
- We will continue active investment in marketing to raise brand value at launch of new beer in 2007

Sales promotion & advertising expenses ratio and operating income ratio (vs. alcohol sales excl. tax)



Marketing & promotions expense (unit: billion yen)



Forecasts for fiscal 2007 are calculated as prior to the move to the holding company

# Lion Nathan: Fiscal 2006 results summary

## Fiscal 2006 (October 2005- Sep. 2006) results. Unit A\$ million

**Net Revenue 1,845.6 (up 5.0% YoY)**

Main positive factors: Effective marketing of Australian beer, expansion of sales channels through establishment of wine distributor

Main negative factors: Severe price competition in New Zealand, weaker NZ dollar

**EBIT: 454.0 (up 1.9% YoY)**

Main positive factors: Australian beer business: Main negative factors: NZ beer business

**NPAT (net profit after tax): 226.8 (up 12.3% YoY)**

### Segmental performance

- Australian beer: Volumes up 1.4%, sales revenues up 5.1%, EBIT up 4.1%
- New Zealand (beer, wine, RTDs): Volumes up 5.7%, sales revenues\* up 0.4%, EBIT\* down 3.9% \*NZ\$ base
- Wine: Wine sales volumes up 70.9%; sales revenues up 52.0%, EBIT up 54.0%

## Inclusion in Kirin's consolidated results. Unit ¥ billion

2006	Revenue	Operating income	Ordinary income	Net income	Net consol. income
LN P&L	160.2	38.9	32.5	19.6	9.0
Amortization of consol. Adjust. account		(2.5)	(2.5)	(2.5)	(2.5)
Brand amortization		(6.2)	(6.2)	(6.2)	(2.8)
Amortization of goodwill		(1.3)	(1.3)	(1.3)	(0.6)
Net	160.2	28.8	22.3	9.5	2.9
2005	Revenue	Operating income	Ordinary income	Net income	Net consol. income
LN P&L	144.9	34.0	27.9	18.5	8.5
Amortization of consol. Adjust. account		(2.5)	(2.5)	(2.5)	(2.5)
Brand amortization		(5.9)	(5.9)	(5.9)	(2.7)
Net	144.9	25.5	19.3	9.9	3.2

Average currency rates (used in Lion Nathan P&L)

2007F 1A\$ = ¥90.00

2006 1A\$ = ¥86.63

2005 1A\$ = ¥82.45

End Sep. rates (used in Lion Nathan B/S)

2006 1A\$ = ¥88.05

2005 1A\$ = ¥86.02

End Dec. rates (used in Kirin B/S)

2006 1A\$ = ¥94.16

2005 1A\$ = ¥86.45

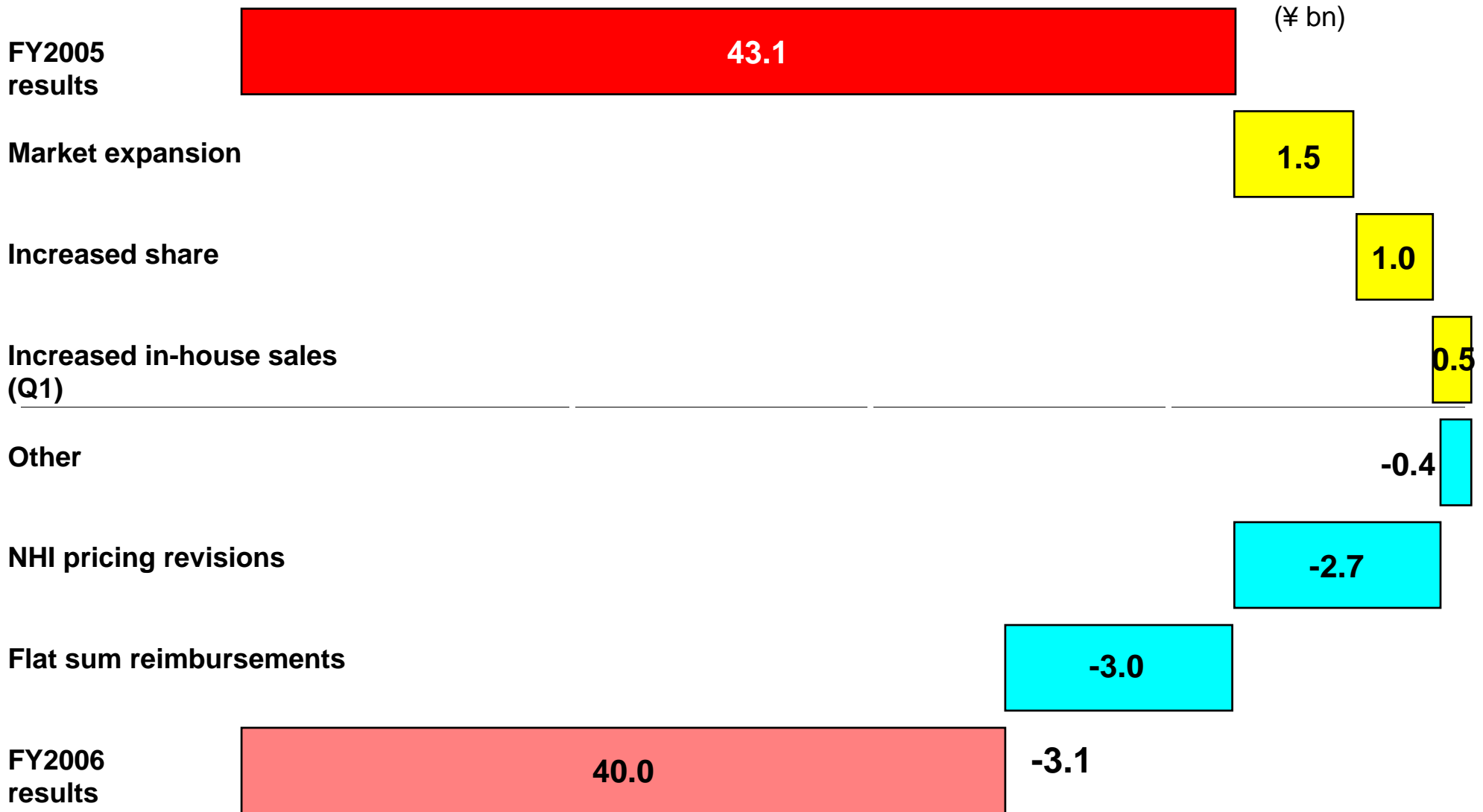
Amortization of consolidation adjustment account: Premium to NAV at time of purchase ¥51 bn, amortized over 20 years (approx. ¥2.5 bn per annum)

Brand amortization: Depreciation of intangibles acquired by LN through M&A, etc. Affected by revaluations, foreign exchange rates

Amortization of goodwill: From 2006 LN has discontinued this in line with international accounting standards, but depreciation continues under consolidation.

In LN's financial statements for 2006 part of operating losses were on consolidation reassigned as extraordinary losses. The above figures reflect this change.

# Pharmaceutical business: ESPO net sales change analysis (FY05 to FY06)



\*Includes exports to overseas subsidiaries and royalties

# Pharmaceuticals pipeline

As of end Jan. 2007

\*Items updated since Jan. 2006

Product Code	Anticipated Indications	Stage	Comments
KRN 321	Renal anemia (dialysis)	Submitted	The new generation ESA ( <i>*Erythropoiesis Stimulating Agent</i> ), Darbepoetin Alfa
KRN 1493	Secondary hyperparathyroidism	<u>*Submitted</u>	Acts on calcium sensing receptor of hyperparathyroid, inhibits hormone secretions from thyroid gland, Cinacalcet hydrochloride
KRN 321	Renal anemia (pre-dialysis/CAPD)	<u>*Phase III</u>	The new generation ESA Darbepoetin Alfa
KRN 321	Cancer anemia	<u>*Phase III</u>	Treatment for anemia induced by chemotherapy Darbepoetin Alfa
KRN 125	Neutropenia	Phase II	The second-generation of GRAN Pegfilgrastim
KRN 654	Thrombocytosis	<u>*Phase I/II</u>	Anagrelide hydrochloride
DC Therapy	Cell medicine targeting cancer	Phase I/II (U.S. and Canada)	Clinical trials underway. Targeting kidney cell cancer.
TRAIL-R2 Human antibody	Antibody medicine targeting solid tumors	Phase I (Canada)	Kirin's first antibody drug candidate

Notes: KRN246 has been successfully launched and thus removed.

KRN951 has been licensed out to AVEO Pharmaceuticals, Inc. and thus removed

## Projects in the latter stage of development are progressing well, as is antibody R&D

### Busulfex (KRN246)

received approval    launched

- Sept. 15 NHI price revisions    Oct. 10 launch (Indication: pretreatment for HSCT)
- Performing well in three months since launch
- Targeted at common patients to *GRAN* (G-CSF). Aiming to increase sales of both products in the HSCT area.

### KRN 321

Phase II    Phase III

- Treatment for anemia induced by chemotherapy

### KRN 951

Phase I    Licensed out (all regions excluding Asia)

- Anticancer drug (angiogenesis inhibitors) developed in-house.
- Dec. 2006: Licensed out to AVEO Pharmaceuticals, Inc. (all regions excluding Asia)

### CD40 antagonist antibody

(2007)

Joint R&D and sales agreements signed

- Human monoclonal antibody developed in-house.
- Jan. 2007: Signed worldwide licensing agreement and joint R&D basic agreement with Astellas Pharma, Inc.
- Development planned for target indication as an anti-rejection drug during organ transplants

### Antibody drugs

- Good progress is being made, with a number of products, targeting such conditions as cancer, either in non-clinical trials or preparing to enter such.

Good performance in existing areas (China, Korea, Taiwan). Entrance into new areas (six ASEAN countries) progressing well.

Net sales of over ¥7.0 billion forecast for all Asian business in 2007

## Existing areas

- *Aranesp* sales in Taiwan and Korea contributed greatly to sales. Total sales of the 4 companies were much higher than 2005: ¥6.8 bn (up 1.8 bn YoY)
- Net sales of around ¥7.0 bn forecast for 2007

## New areas

- 2006: Began sale of Busulfex in Thailand
- 2007: Plan to launch business in Singapore and Malaysia
- Plan to apply for approval for products including GRAN in other countries (the Philippines, Indonesia, Vietnam) in 2007

R&D at Gemini Science and Hematech progressing well

Steady performance at Kirin Amgen

## Gemini Science

- Opened new premises at the University of California in San Diego science research park Aiming to speed up research by carrying out joint research with the UCSD Cancer Center and Laboratory
- 2007: Aiming to enhance and develop functions and to start clinical trials—as our development base in the United States

## Hematech

- Carrying out research towards commercially viable bovine production of human antibodies (polyclonal antibodies)

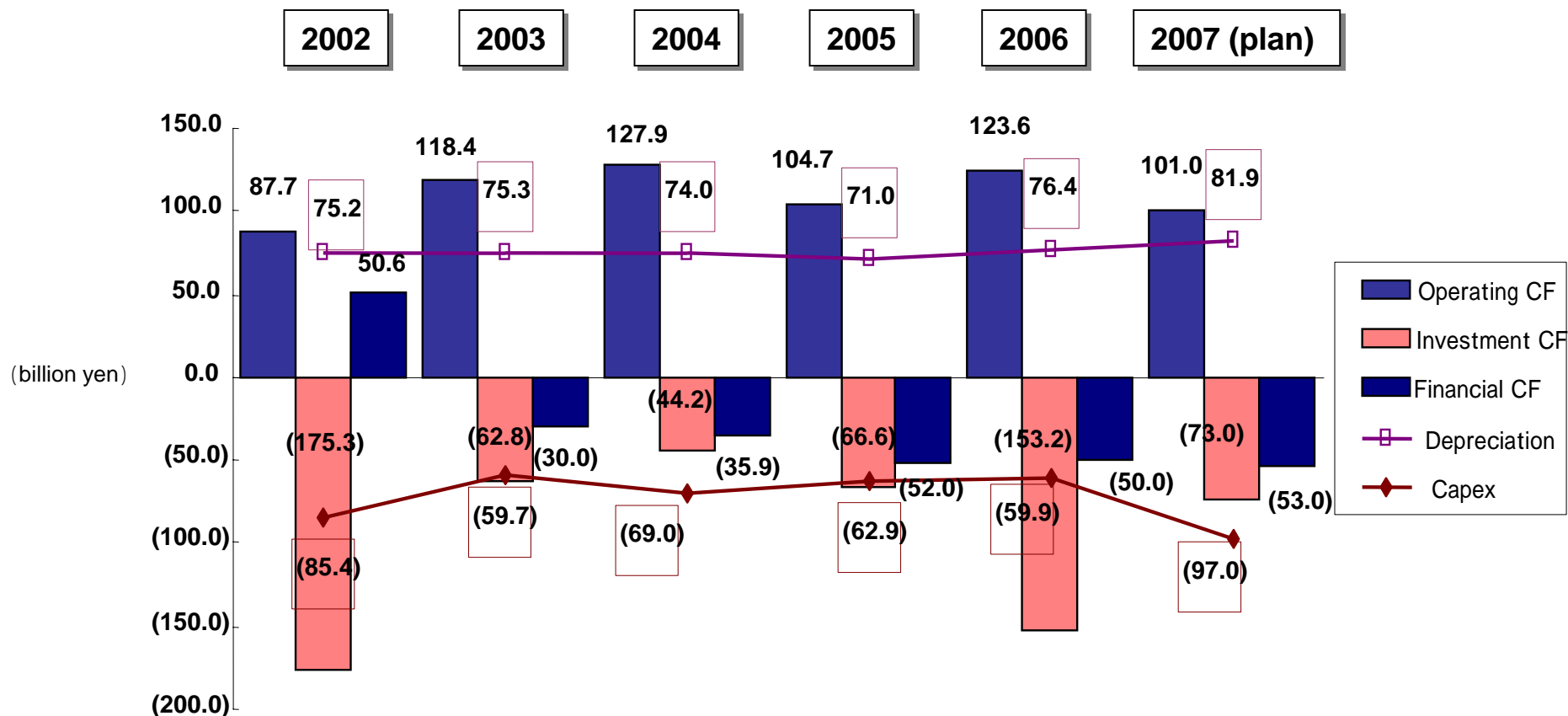
## Kirin Amgen

	Net sales	Operating income
2006	¥53.7 bn	¥19.1 bn
2005	¥46.8 bn	¥15.3 bn

# Cash flow, capex & depreciation (consolidated)

2006: Investments: In Kirin Beverage to make it a 100% subsidiary - ¥75.3 billion,  
In Mercian - ¥25.0 billion

2007: Make strategic investments in growth businesses and Capex and actively acquire treasury stock while ensuring a steady ¥100 billion line through operating cash flow



# Medium-term plans: Key decisions and results

## NK21 (1998 - 2000)

- Entered the happo-shu market
- Equity participation in Lion Nathan
- Reorganized plants
- Actively acquired treasury stock

## KG21 Action Plan (2001-2003)

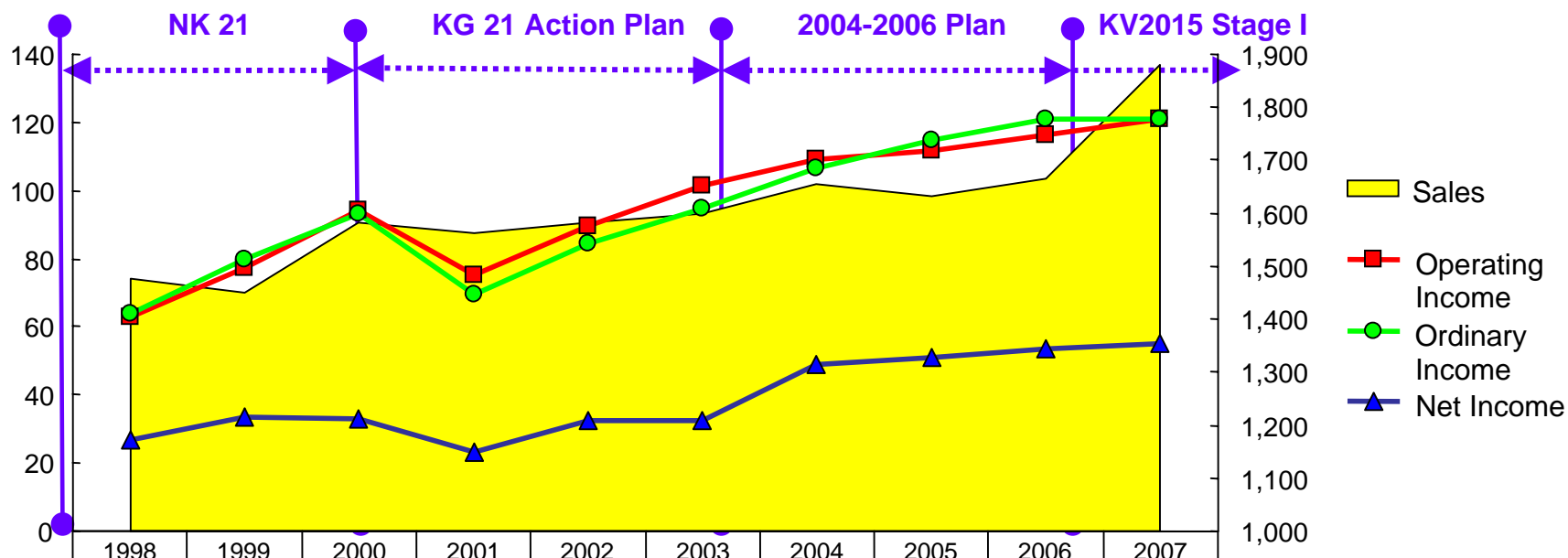
- Promoted comprehensive alcohol beverages business
- Equity participation in San Miguel
- Acquired Takeda Pharmaceutical seasonings division
- Improved cost structure

## 2004-2006 Medium-term Plan

- Acquired top position in the new genre market
- Business alliance and capital relationship with Mercian
- Made Kirin Beverage a 100% subsidiary
- Strengthened base in China
- Expanded in ASEAN region and promoted independence of pharmaceutical business

## 2007-2009 KV2015 Stage I

- Further growth in the domestic alcohol business  
*Strengthen comprehensive alcohol beverages business through a turnaround in beer and alliance with Mercian*
- Promote a comprehensive beverages group strategy
- Promote internationalization
- Develop health/functional foods business  
*Provide new value centered on Kirin Yakult NextStage Co.*
- Accelerate growth in the pharmaceuticals business  
*Expand the domestic and global markets with new products*
- Financial strategy aimed at greatly expanding corporate value  
*Business investment and Capex aimed at actively rewarding shareholders, realizing long-term growth strategies and efficiently using the balance sheet*



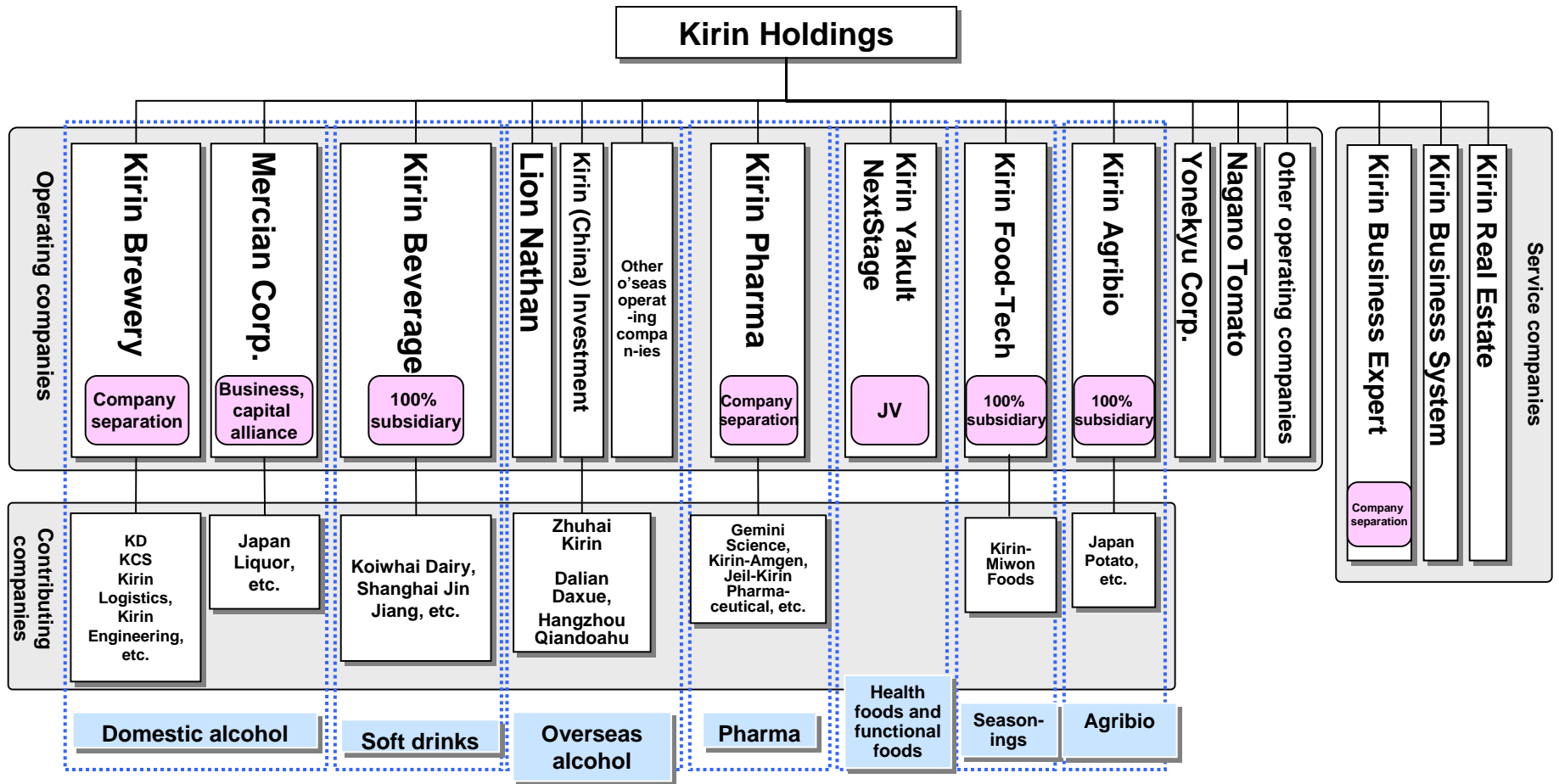
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales	1,477.2	1,451.5	1,580.8	1,561.8	1,583.2	1,597.5	1,654.8	1,632.2	1,665.9	1,880.0
Operating Income	63.0	77.2	94.3	75.0	89.7	101.5	109.3	111.7	116.3	121.0
Ordinary Income	63.6	79.8	93.0	69.3	84.4	94.6	106.5	114.8	120.8	121.0
Net Income	27.0	33.2	32.9	23.1	32.5	32.3	49.0	51.2	53.5	55.0

(billion yen)

# Group Organizational Structure Planned organization from July 2007

Kirin is adopting a new group structure:

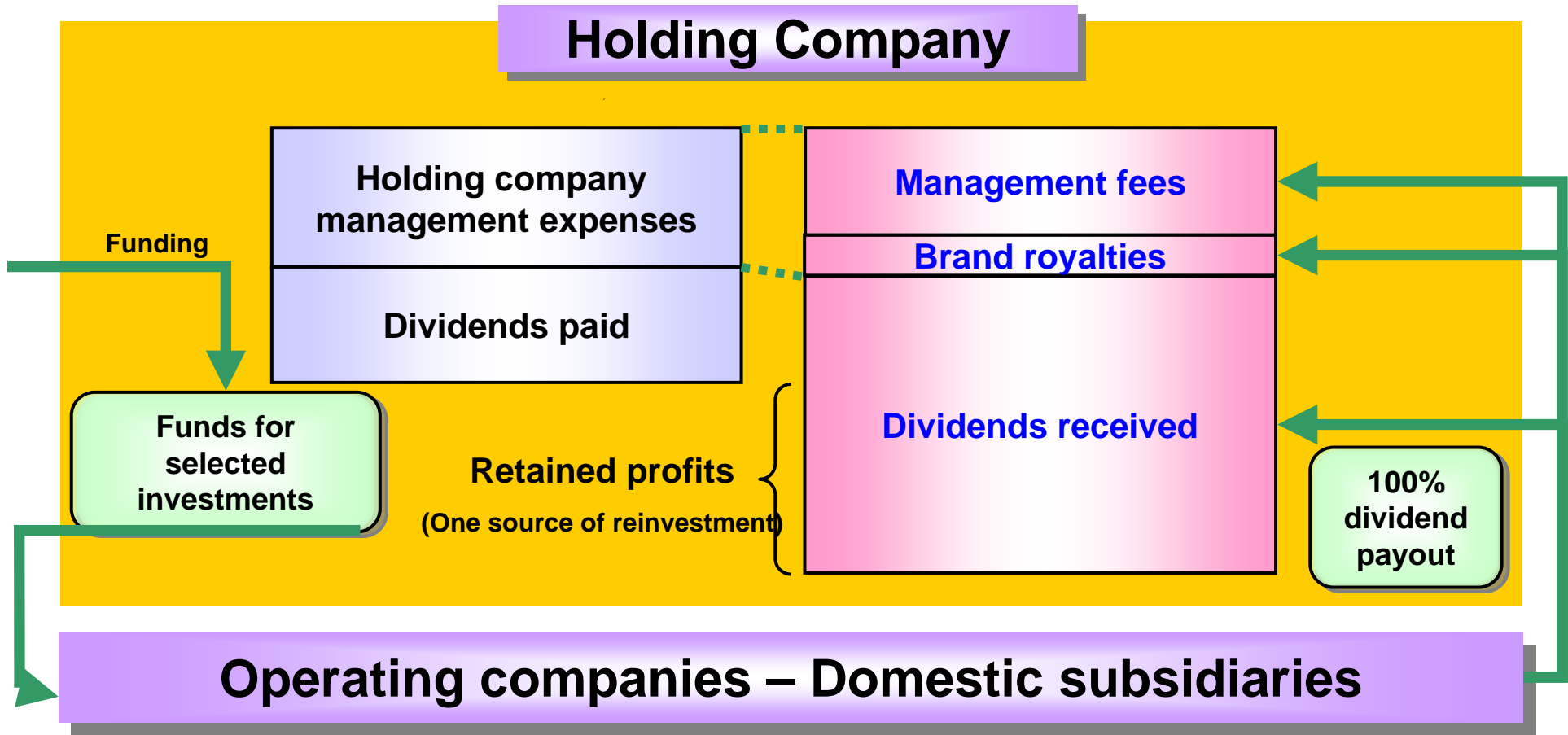
- Kirin Beverage has become a 100% subsidiary
- Kirin will become a holding company with business separations of Kirin Brewery, Kirin Pharma, Kirin Business Expert
- A capital and business alliance has been formed with Mercian
- Kirin Yakult NextStage has been established through the alliance with Yakult
- Making Kirin Food-Tech, Kirin Agribio 100% subsidiaries



# Holding company: revenue structure and capital flows

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

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



# Corporate Governance: Group Organizational Structure

