

KIRIN



It's time for a good taste

Kirin Holdings Company, Limited



Annual Report

Year ended December 31, 2011

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Redefining good taste everyday.

The Kirin Group's business activities center on **manufacture and sales of alcohol beverages, non-alcohol beverages and pharmaceuticals in Japan, the Asia-Oceania region, Brazil** and other parts of the world. Applying more than a century of know-how, we pride ourselves on delivering tangible satisfaction and quality in everything we make using our knowledge of **advanced fermentation and other innovative technology** to harness the goodness of nature.

As of December 31, 2011, the Group had more than 40,000 employees, and comprised 263 consolidated subsidiaries, 18 affiliates accounted for by the equity method, and one unconsolidated subsidiary.

The Kirin Group—focused on people, nature and craftsmanship to redefine the **joy of food and health**.

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Please refer to the following URL for the financial statements and notes, including the auditor's report, as well as for the data book.



<http://www.kirinholdings.co.jp/english/ir/library/index.html>

FORWARD-LOOKING STATEMENTS

Statements in this report that are not historical fact are forward-looking statements based on the current beliefs, estimates and expectations of management. Various risks and uncertainties could cause results to differ materially from these projections. These risks and uncertainties include exchange rates, changes in domestic or overseas economic conditions, changes in consumer behavior or competitor activity, and changes in laws, regulations or policies in any of the countries where Kirin conducts operations. Kirin adopts measures to control these and other types of risks, but does not guarantee that such measures will be effective.

The joy of food and health

These words are the essence of the Kirin Group philosophy, through which we focus on people, nature and craftsmanship to redefine the joy of food and health. Because food and health products can help to bring joy, we pride ourselves on offering products based on what people want, applying our ability to harness the goodness of nature through innovative technology.



Good taste makes you smile

This slogan expresses our dedication to great flavor. It captures our commitment to deliver through our entire range of products and services superior taste and a new level of joy for another 100 years. That's how we make you smile.

Business Structure

After one hundred years in Japan, the time has come to be global.

In 1907, Kirin Brewery Co., Ltd. was established, and since then, we have expanded our business centered on domestic alcohol and non-alcohol beverages. In the 1980s, we entered the pharmaceuticals business.

In the 1990s, overseas operations began taking on new seriousness. In the 2000s, Kirin began working to achieve a new stature as an integrated group globally centered on Asia and Oceania under Kirin Group Vision 2015 (KV2015). The Group's business segments reflect this realignment of focus.

Business Segments

Scope of Activities

Business Strategies

Domestic Alcohol Beverages

Domestic production and importation of beer, happo-shu, "new genre", RTD and non-alcohol beer taste beverages products; production and importation of wines and whiskeys, and integrated marketing.

Strengthen core brands through selection and concentration, creating new forms of value for customers. Increase focus on sales, through value-proposal marketing establishment of Kirin Beer Marketing.

Domestic Non-Alcohol Beverages

Production and marketing of canned and bottled green and black teas, canned and bottled coffees, fruit juices and carbonated soft drinks; production, importation and marketing of bottled waters.

Continue revenue structure reforms, strengthen product competitiveness and sales force, boost earnings by increasing sales, promote Group cooperation and support overseas business.

Overseas Beverages

Overseas production and sales of integrated alcohol and non-alcohol beverages, principally in Oceania, East and Southeast Asia, China and Brazil.

Strengthen operational foundations in each region, seek collaboration beyond businesses and borders, solidify and strengthen Group management structures, aiming toward global growth.

Pharmaceuticals and Bio-chemicals

Development of innovative new drugs in the core fields of cancer, kidney diseases and immune system disorders by the leveraging of biotechnology centered on antibody technologies.

Seek to increase sales outcomes in Japan and Asia, especially China, reinforce overseas development systems. In Bio-chemicals, seek growth through global expansion of major-product sales.

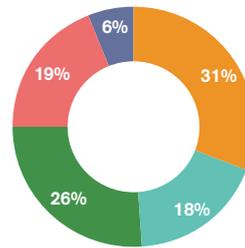
Others

This segment includes food businesses, such as seasonings and other ingredients for manufacturers of processed foods, and dairy products.

Promote value-proposal business for customers in Japan and overseas by solidifying and strengthening development and sales at core businesses.

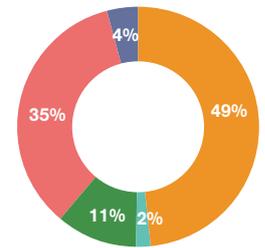
We have a solid earnings base from domestic business and are accelerating the strengthening of overseas beverages profitability.

Percentage of Consolidated Net Sales by Segment



■ Domestic alcohol beverages
■ Domestic non-alcohol beverages
■ Overseas beverages
■ Pharmaceuticals and bio-chemicals
■ Others

Percentage of Consolidated Operating Income by Segment



■ Domestic alcohol beverages
■ Domestic non-alcohol beverages
■ Overseas Beverages
■ Pharmaceuticals and bio-chemicals
■ Others

Major Products

KIRIN BREWERY: Beer, happo-shu, "new genre", RTD and non-alcohol beer taste beverages
MERCIAN: high-quality wines



[➤ P16](#)

KIRIN BEVERAGE: Canned coffee, PET-bottled black tea, PET-bottled green tea, imported mineral water



[➤ P20](#)

LION: Beer, dairy & drinks
SCHINCARIOL: Beer, carbonated soft drinks



[➤ P24](#)

KYOWA HAKKO KIRIN:
Pharmaceuticals: A treatment for nephrogenic anemia, a treatment for secondary hyperparathyroidism during dialysis, and an allergy medication.
Bio-chemicals: Fermented bulk products, such as amino acids and nucleic acids



[➤ P28](#)

KIRIN KYOWA FOODS:
 "Umami" seasoning, Freeze-dried foods



A leading company in the Asia-Oceania region



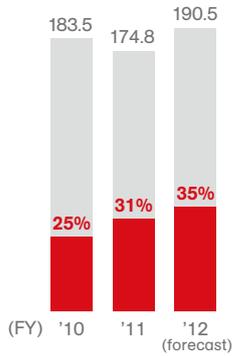
Kirin Group is **strengthening its core domestic alcohol and non-alcohol beverages businesses together with pharmaceuticals**, to achieve a solid base for revenue and profit growth. In parallel, the Group is pursuing deeper corporate and regional cooperation for synergies that will build a stable new earnings base overseas, centered on the Asia-Oceania region. Sharp focus is on the **high growth potential of overseas businesses**, including newly acquired operations in Brazil.

Major Objectives Kirin Group Vision 2015 (KV2015)

- **Becoming an integrated beverage group**
 - **Internationalizing Kirin Group's businesses**
 - **Develop the health and functional foods business**
-



Overseas Share of Consolidated Net Sales
(Billions of yen)



Note: As of 2011, overseas share calculated per country/region of consumption.

Raising share of overseas-related consolidated net sales above

30%

By KV2015, Kirin aims to generate more than 30% of both consolidated net sales and operating income (excluding liquor taxes) from overseas-related operations

Japan
KIRIN

East and Southeast Asia
SAN MIGUEL BREWERY INC.

Oceania
LION

U.S.
SCHINCARIOL

Brazil

Other regional callouts include CANTON and EN (FUDO AND M&M LIMITED).



Consolidated Financial Highlights

Kirin Holdings Company, Limited and Consolidated Subsidiaries
Years ended December 31, 2011 and 2010

	Millions of yen		Percentage change (%)	Thousands of U.S. dollars
	2011	2010	2011 / 2010	2011
For the year:				
Sales	¥ 2,071,774	¥ 2,177,802	(4.9)	\$ 26,650,038
Less liquor taxes	323,375	342,527	(5.6)	4,159,698
Net sales	1,748,398	1,835,274	(4.7)	22,490,326
Domestic alcohol beverages	545,104	586,996	(7.1)	7,011,885
Domestic non-alcohol beverages	314,568	347,769	(9.5)	4,046,411
Overseas beverages	454,216	403,977	12.4	5,842,757
Pharmaceuticals and bio-chemicals	332,843	404,714	(17.8)	4,281,489
Others	101,665	91,818	10.7	1,307,756
Operating income	142,864	151,612	(5.8)	1,837,715
Domestic alcohol beverages	70,580	73,239	(3.6)	907,898
Domestic non-alcohol beverages	2,802	2,453	14.2	36,043
Overseas beverages	15,388	22,907	(32.8)	197,941
Pharmaceuticals and bio-chemicals	49,447	48,719	1.5	636,056
Others	6,259	8,104	(22.8)	80,511
Adjustment	(1,613)	(3,811)	(57.7)	(20,748)
Net income	7,407	11,394	(35.0)	95,279
EBITDA	247,602	269,392	(8.1)	3,185,001
Cash flows from operating activities	196,792	218,025	(9.7)	2,531,412
Cash flows from investing activities	(361,658)	(140,917)	156.6	(4,652,148)
Cash flows from financing activities	193,214	(140,197)	–	2,485,387
Free Cash flow	(164,866)	77,107	–	(2,120,735)
At year-end:				
Total assets	¥ 2,854,254	¥ 2,649,197	7.7	\$ 36,715,384
Interest-bearing debt	1,144,786	859,376	33.2	14,725,829
Shareholders' equity	852,922	962,476	(11.4)	10,971,468

	Yen			U.S. dollars
Per share data:				
Net income				
Primary	¥ 7.70	¥ 11.95	(35.6)	\$ 0.099
Diluted	7.14	11.93	(40.2)	0.091
Dividends	27.00	25.00	8.0	0.347

Value indicators:				
Operating income/sales (%)	6.9	7.0		
Operating income/net sales (%)	8.2	8.3		
Return on assets (%)	0.3	0.4		
Return on equity (%)	6.9	8.8		
Price/earnings ratio (times)	121.5	95.3		
Price/book value ratio (times)	1.1	1.1		
Debt/equity ratio (times)	1.25	0.81		

Notes: The U.S. dollars amounts in this report are included for the convenience of readers, converted at the rate of ¥77.74=US\$1.

Yen and U.S. dollar amounts are truncated.

ROE is calculated prior to amortization of goodwill. Figures exclude losses with no effect on cash outflow.

New business segments were created in 2011. For convenience, figures for 2010 were restated to reflect 2011 business segment allocations.

It's time to taste our efforts

After five years since commencing our long-term management vision, we are now ready to **begin realizing the benefits of all our hard work**. In brewing, it is an axiom that the true **goodness does not emerge until the fundamental processes are complete**. In much the same way, Kirin Group has worked through the fundamental stages of our long-term plan as we **increased efficiencies, realized synergies**, strengthened **customer ties** and grew our overseas earnings base. With these processes successfully launched, we are now ready to put them all to work to produce **sustained qualitative growth** through efficiencies and innovation that **create new value for customers and shareholders**.

Senji Miyake
President and CEO





Senji Miyake
President and CEO

Senji Miyake

An Interview with the President

In 2011, we faced crises ranging from the terrible forces of nature to disturbances in the global economy. At the same time, however, we found the courage to weather these crises and look to the future.

Q First of all, what sort of year was FY2011 for you, Mr. Miyake?

A It was a year of great significance that brought astonishing, terrifying new experiences and filled me with deep gratitude and renewed awareness of the importance of personal bonds and my pride in Kirin associates.

The Great East Japan Earthquake of March 11, 2011 taught us many lessons. The tremors were the most powerful I have ever experienced.

The earthquake caused damage that exceeded all expectations. The Kirin Group's Sendai Plant, a brewery located in Miyagi Prefecture in the stricken Tohoku region, suffered a devastating blow. When I heard the news reports immediately after the disaster, I wondered what on earth would become of the plant.

At the same time, I received many sympathetic e-mails from our business partners in Japan as well as from top managers at overseas companies, personal acquaintances and Group companies. This show of support filled me with a sense of unity extending across boundaries between nations and companies and provided me with powerful encouragement.

The supply of industrial electricity to the Sendai Plant was disrupted until July. Nevertheless, all Kirin associates from the plant manager on down pitched in to manually clear debris. They performed

magnificently, achieving the post-disaster plan to resume product shipments by November. This response allowed me to experience anew the power of the Kirin Group employees who work on the front lines of the business. Needless to say, our business partners and Group companies contributed to the recovery effort by cooperating in areas such as materials procurement and distribution. Above all, however, I felt an overwhelming sense of pride in the tremendous attitude toward work demonstrated by the individual associates at the plant.

I offer heartfelt empathy to all who have suffered in the disaster. We must look to the future with a renewed sense of purpose.

Q FY2011 brought many unforeseen events, including the Great East Japan Earthquake, bad weather and natural disasters in Australia, flooding in Thailand, yen appreciation, and the financial crisis in the EU. Under the circumstances, how do you assess the Group's performance in achieving operating income of ¥142.8 billion?

A Although I'm by no means satisfied, I believe that in an adverse business environment we were able to achieve a certain measure of success in the areas of profitability and efficiency.

We revised our original plan midway through the term in light of the impact of

Consolidated Financial Performance

(Billions of yen)

FY2011	Original Plan	Revised Plan	Results
Net sales	¥ 1,810.0	¥ 1,782.0	¥ 1,748.3
Operating income	152.0	144.0	142.8
Operating income ratio (%)	8.4	8.1	8.2
Cash ROE ratio (%)	10.5	10.4	6.9
EBITDA	312.0	294.0	247.6

Notes: Net sales exclude liquor taxes.

Operating income is after goodwill amortization.

Cash ROE is calculated prior to amortization of goodwill.

Figures exclude losses with no effect on cash outflow.

the Great East Japan Earthquake and an adverse business environment for the overseas alcohol beverages and soft drinks businesses. In the revised plan, we were able to nearly achieve the consolidated net sales, consolidated operating income, and operating income ratio targets. We also achieved results that exceeded the target in the medium-term business plan from cost synergy initiatives implemented across the Group. On the other hand, issues remain with respect to reestablishing growth in the domestic integrated beverages business and boosting profitability in the overseas integrated beverages business.

Q Please describe the current earnings structure of the Kirin Group.

A The Group earns approximately ¥120 billion in operating income from two business segments: ¥70.5 billion from domestic alcohol beverages and ¥49.4 billion from pharmaceuticals and bio-chemicals.

losses were caused mainly by temporary changes in the external environment, hereafter we will aim for continuous improvement in consolidated net income, taking the normal level as the baseline.



I think that implementing a lean management structure in the form of cost control and an efficient value chain has resulted in the establishment of an earnings structure not overly influenced by the business environment.



Q Why was consolidated net income substantially below the figure in the revised plan?

A Extraordinary losses in FY2011 were higher than expected for reasons including temporary changes in the external environment.

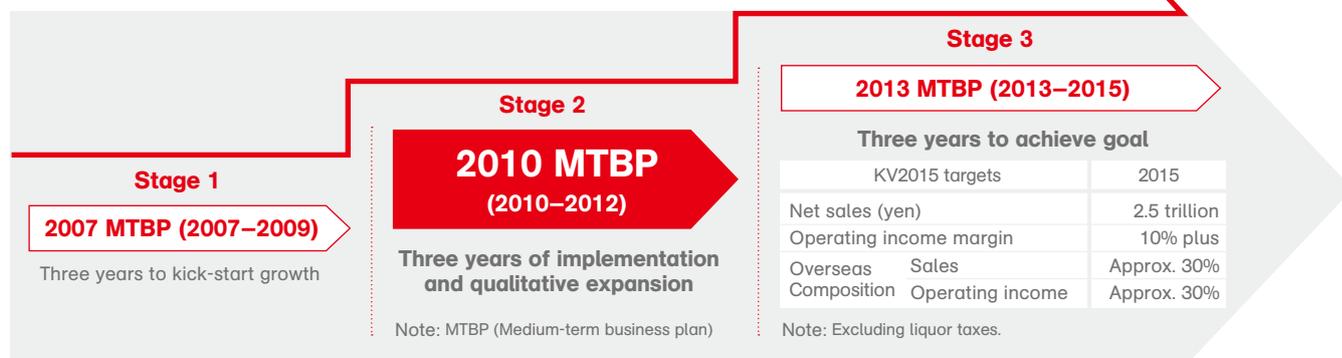
We incurred losses from the earthquake and tsunami of approximately ¥19 billion and a loss on devaluation of investment securities of approximately ¥24 billion due to the impact of the EU financial crisis on domestic financial markets. The total amount of these extraordinary losses was equivalent to approximately 76% of consolidated net income in the original plan. As a result, consolidated net income was only ¥7.4 billion. However, since these

The stability of the domestic alcohol beverages business and the pharmaceuticals and bio-chemicals business is a key strength of the Kirin Group.

In the domestic alcohol beverages business, the earthquake resulted in a year-on-year decrease in consumption in Japan that exceeded our initial expectations. Yet, I believe that we have made progress in developing a business structure for reliably earning profits even if the market as a whole contracts. I believe that this progress is proof that a corporate disposition to control costs and create value chain synergy, and to simultaneously link solution-based value proposal marketing and value-driven selling to sales results, has taken firm root.

Results from the pharmaceuticals and bio-chemicals business have been highly favorable. The pharmaceuticals business has

Overview of Long-Term Management Vision (KV2015)



an operating income ratio of approximately 15%, among the highest in the Group.

Q FY2012 is the final year of the Kirin Group's medium-term business plan for 2010 to 2012. Please discuss the importance of FY2012 and the Group's long-term vision until FY2015.

A FY2012 is a year for reliably accomplishing tasks remaining from the current medium-term business plan and is also extremely important as a run-up period to prepare for the next medium-term business plan, which will focus on realization of Kirin Group Vision 2015 (KV2015).

KV2015 is a long-term management vision for the nine-year period from FY2007 to 2015 consisting of three stages: Stage 1 from FY2007 to 2009, Stage 2 from FY2010 to 2012, and Stage 3 from FY2013 to 2015.

KV2015 provides a blueprint for a quantum leap in growth with the aim of being the leading company in Asia and Oceania in the fields of food and health. The underlying concept is that future growth in the alcohol and non-alcohol beverage markets in Japan will be difficult because of the population problem and consumption structure. For this reason, we have undertaken a major change of direction toward globalization to achieve continuous growth over the long term.

In Stage 1, we made National Foods, Dairy Farmers and Lion Nathan in Australia wholly owned subsidiaries and made San Miguel Brewery in the Philippines a company accounted for by the equity method. In Japan, we made Mercian and Kyowa Hakko consolidated subsidiaries. The scale of the Group's businesses expanded as a result of these investments in Stage 1. In Stage 2, currently in progress, it is imperative that we boost earning power while creating synergy among our businesses.

For this reason, during the course of the current medium-term plan, I have continued to preach the message "implementation and qualitative expansion." By implementation, I mean accomplishing the plans we have made. We will aim to be a lean corporate group not overly influenced by the business environment.

Q What is the outlook for operating performance in FY2012?

A Although the outlook for Japan's economy and the economic problems in the EU remains uncertain in FY2012, we aim to achieve sales and profit increases by continuing to pursue "quantitative expansion," a key theme in the medium-term business plan.

The targets for consolidated net sales and consolidated operating income for FY2012,

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In FY2012, we are resolved to continue to implement our policies and pursue qualitative expansion to achieve our aim for greater penetration of a lean management structure throughout our Group companies in Japan and abroad.

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2012 Forecasts

(Billions of yen)

	2011 Actual	2012 Target	2010 MTBP target
Net sales	¥ 1,748.3	¥ 1,905.0	¥ 2,130.0
Operating income	142.8	162.0	188.0
Operating income ratio (%)	8.2	8.5	8.8
Cash ROE ratio (%)	6.9	11.6	Over 10

Notes: Net sales exclude liquor taxes.

Operating income is after goodwill amortization.

Cash ROE is calculated prior to amortization of goodwill.

Figures exclude losses with no effect on cash outflow.

the final year of the medium-term business plan, are lower than the targets at the time the plan was formulated. Nevertheless, we are on course to achieve results in line with the targets in the business plan for operating income ratio (prior to amortization of goodwill, excluding liquor taxes) and ROE (prior to amortization of goodwill), as well as for the overseas sales ratio. I believe we are making steady progress toward quantitative expansion.

Q Please describe the key policies for FY2012 to achieve the Group's targets.

A We will renew our awareness of the importance of brand value and make brand value enhancement the foundation of our business strategy. In so doing, the three companies in the domestic integrated beverages business must join and work together in pursuit of growth.

In Japan, at a time of difficult prospects for market growth, we must steadfastly survive and thrive as an integrated beverage business group. We will tenaciously pursue efficiency across the entire value chain. At the same time, to achieve both profitability and growth in a contracting market, it will be necessary to steadily develop our brands. Under brand-focused management, all value chains work together on the basis of consistent resource allocation with brands as the starting point.

I am convinced that there is still room for growth in the domestic integrated beverages business. But, to achieve it, Kirin Brewery, Mercian and Kirin Beverage, our three key domestic beverage companies, must truly share this way of thinking and incorporate it in their activities—by embracing overall optimization in the form of a domestic integrated beverages business.

Q What specific initiatives will be implemented in pursuit of growth in the overseas integrated beverages business?

A In our businesses in Asia and Oceania and in Brazil, where we have newly acquired a business base, we will nurture local brands and increase corporate value by combining the strengths of overseas Group companies with knowledge cultivated in Japan.

Australia is a cornerstone of the Group's business foundation and a market from which stable growth can be expected, and Lion has achieved steady earnings growth. In recent years, however, growth has temporarily stalled due to factors including the impact of natural disasters and a slump in consumption. In the soft drinks and foods business in particular, profitability has declined due to environmental changes such as price decline and soaring raw material costs. Lion is implementing fundamental reforms to achieve a lean



The most critical priority in the basic strategy for the Group as a whole is enhancement of brand value. This is the cornerstone of our growth strategy!



Key Policies for FY2012

- Promote a domestic integrated beverages group strategy based on brand-focused management.
- Pursue growth in the overseas integrated beverages business.
- Strengthen the domestic foundation and promote global expansion in the pharmaceuticals business.
- Strengthen Group management capabilities accompanying the advance of globalization.
- Engage in CSR activities that enhance Kirin's coexistence with society.

business structure that can withstand this pressure. I look for a turnaround in Lion's business performance to a gradual increase in earnings beginning in FY2012, and sales from the alcohol beverages business are already showing improvement.

In Southeast Asia and China, we have formed alliances with powerful local partners. We intend to pursue business expansion in these markets by introducing Kirin's product development capabilities and other strengths, utilizing the solid business foundations of our partners as the basis for growth.

In addition, last year we made Schincariol of Brazil a wholly owned subsidiary. In Brazil, a market where robust expansion in the medium to long term can be expected, a major objective is to achieve growth in both sales and profits. Schincariol brings to the Group a comprehensive product portfolio as an integrated beverages business, excellent quality and a management posture that emphasizes brands and human resources. As such, it offers a solid foundation for the creation of Group synergy. We intend to unleash its latent growth potential in the Brazilian market by combining Schincariol's strengths with Kirin's knowledge.

Q What are the future prospects for the pharmaceuticals business, a core profit-earning business?

A We have a rich pipeline and development and sales networks in Japan and overseas and can expect stable growth and profits in the medium term.

Kyowa Hakko Kirin has several key products in its pharmaceuticals business that constitute an earnings base, and it has built a solid operating structure in Japan. Therefore, I believe that it will be able to secure the expected level of earnings even if competing generic drugs come onto the market.

The company's plans for FY2012 call for the launch in Japan of *POTELIGEO* (Mogamulizumab) Injection, a humanized monoclonal antibody, and reinforcement of our alliance overseas with the ProStrakan Group, which has powerful sales channels in North America and Europe, major markets for pharmaceuticals. Pipeline development is proceeding according to plan, and prospects are good for growth and stable earnings over the medium term as a global specialty pharmaceutical company.

Q What financial strategy is planned?

A Large-scale investment activities have wound down. Our first task is to reduce interest-bearing debt and develop a financial position that will enable us to rapidly respond to the next growth opportunity that arises.

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Since large-scale investment activities have wound down, our financial strategy is to further firm up a sound financial base in the near term by reducing interest-bearing debt.

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The long-term management vision currently being advanced by the Kirin Group is an ambitious master plan for further solidifying our earnings base in Japan and dramatically expanding our earnings base overseas. The Group is prepared to establish a solid foundation that can sustain long-term growth in order to realize continuous enhancement of corporate value.

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We plan to generate average yearly operating cash flow of more than ¥215 billion during the term of the current medium-term business plan. In addition, the business plan calls for increasing free cash flows by means of asset liquidation, which this year is expected to add ¥34 billion to free cash flows. The debt-to-equity ratio was 1.25 times and interest-bearing debt was ¥1,065 billion at the end of FY2011. I believe that we should prepare for future growth opportunities by utilizing these abundant free cash flows to reduce interest-bearing debt and strengthen the financial position.

Q What are your views on shareholder returns and social responsibility?

A My answer is that the achievement of sustained, sound corporate growth ultimately contributes to shareholder returns and the fulfillment of social responsibility.

Our guideline for the dividend payout ratio is to maintain a ratio of 30% of consolidated net income on a cash basis. In addition, through FY2011 we have steadily increased dividends in step with growth in real earnings. My intention is to continue to provide reliable shareholder returns in the coming years.

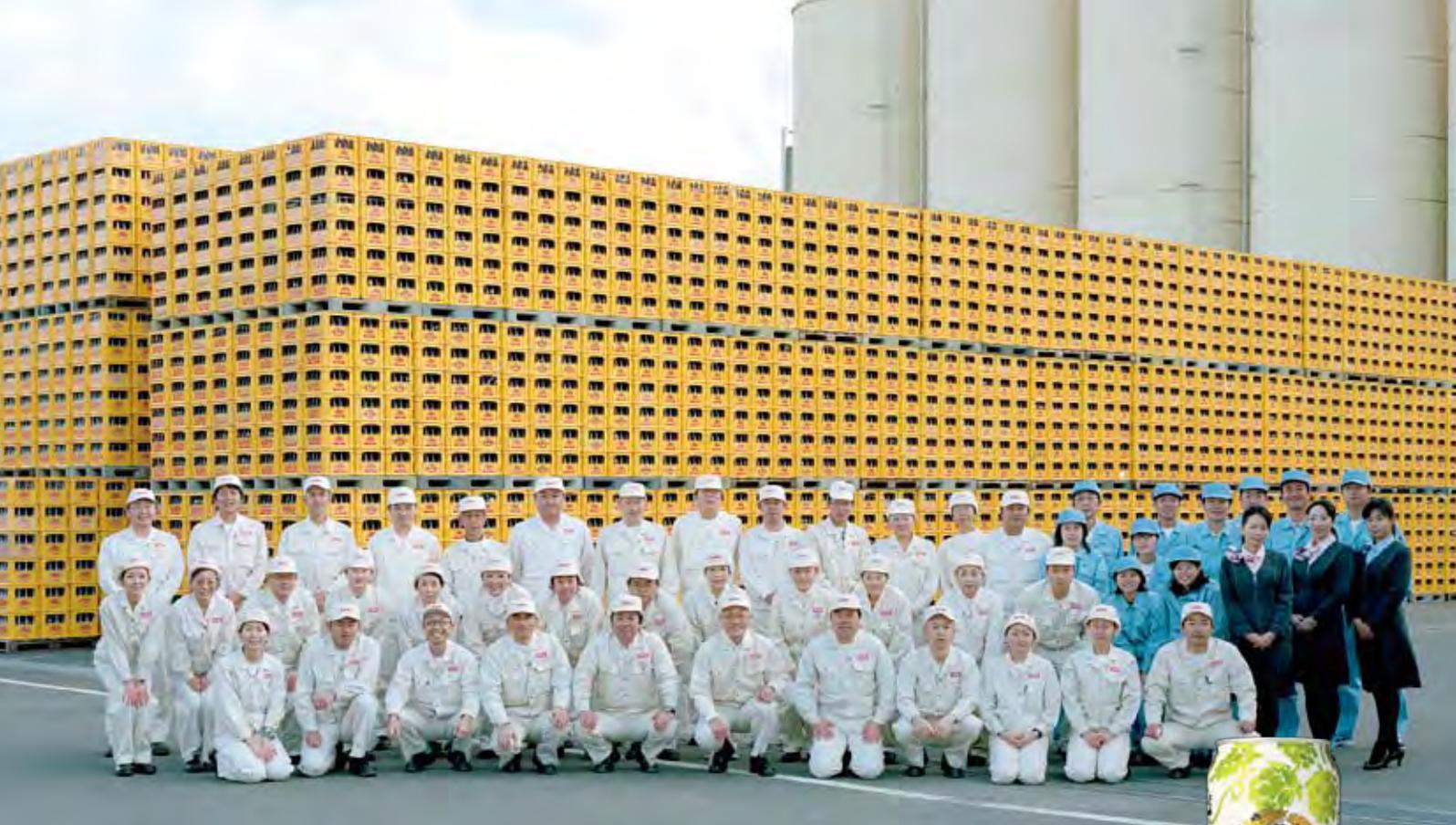
KV2015 represents a major change of course with a view to the Kirin Group's next century. I intend to achieve sustained

growth, link that growth to enhancement of corporate value, and enhance shareholders' interest over the medium to long term. We will do this by establishing an overwhelmingly powerful business foundation in our chosen geographical regions with food and health as our business domains and making continuous investment for growth.

Corporate social responsibility (CSR) is also important for achieving sustainable growth, and our contact with stakeholders in countries and regions around the world is expanding in step with the globalization of our business activities. In the coming years, we will place greater emphasis on dialogue with our stakeholders in Japan and abroad while respecting the culture of each country and region. We will also address social challenges including environmental problems through our business activities.

Throughout the past five years, our long-term objective has been to strengthen our foundation. From this point onward, we are transitioning to a new era. With the preparation wrapping up, it is time to let stakeholders begin tasting the results of all that we have been doing.

A new, expanded and increasingly cohesive Kirin Group accepts the challenge to move ahead with creation of new value and new proposals to customers. We should all look forward to the results with eager anticipation.



Special Feature

Associates working at the Kirin Brewery's Sendai Plant have overcome major challenges since the earthquake. Their unshakeable solidarity and passion for beer-making are further proof of the front-line reliability that underpins the manufacturing activities of the Kirin Group.

The March 11 earthquake caused significant damage at the Sendai Plant. A total of 481 people, including 129 members of the public, were in the plant at the time and were able to find refuge on the roofs of buildings within the plant. Tragically, many people in the area around the plant lost their lives, but miraculously everyone who sought safety inside was saved.

The earthquake collapsed four out of the plant's 15 20-meter tall storage tanks, each able to store 400kl. The seven-meter tsunami that followed left floors covered with thick deposits of mud and strewn wreckage, together with the equivalent volume of 17 million cans of spilled beer (calculated as 350ml per can).

Opened 89 years ago, Kirin's Sendai Plant has always maintained close links with the local community. Factory tours and other events have helped to foster contact with local residents, who view the plant with affection. The workers, led by plant manager Noriya Yokota, were united in their determination to reopen the plant and began working entirely by hand in order to be ready to supply products to the people of Tohoku as soon as possible.

They removed all of the overwhelming debris and other materials and repainted the floors, despite a lack of water, which meant that facilities that had been coated in mud had to be carefully and thoroughly cleaned by hand. Yet, even under these difficult conditions, the workers' attitudes remained positive, as

they readily took on the challenging task of restoring the plant without complaint. Through this dedicated effort, the clean-up was completed in an incredibly short time of 100 days.

A woman who works for Kirin Brewery's sales organization in the Tohoku region reported that when she went into a restaurant to buy lunch some time after the earthquake, the owner of the restaurant told her that he was looking forward to the reopening of the plant. She recalled feeling great pride in her work at that time. "I realized that while alcohol beverages are not directly useful in the emergency, people were eagerly awaiting the day when the plant would reopen so that they could again gather to enjoy the beer and experience the strengthening of human and community bonds."

Plant manager Noriya Yokota was determined to maintain the solidarity needed to overcome these challenges and to maintain close links with local communities and residents, so that his plant would continue to be viewed with affection in the region. His commitment was one of the factors that allowed the Sendai Plant to start producing its usual September brew of *Ichiban Shibori Toretate Hoppu Nama Beer*. The Tohoku hops used had been freshly harvested that summer in Iwate Prefecture, which was also affected by the earthquake. By November the plant was back on schedule, able to commence shipments of beer in cans and barrels.



Ichiban Shibori
Toretate Hoppu Nama Beer

Segment Review and Strategies

Domestic Alcohol Beverages



For supplementary information, please see the Data Book.

DATA BOOK P.02-03



Financial Indicators

(Billions of yen)

	2010	2011	2012 (forecast)
Sales	¥ 928.4	¥ 868.2	¥ 883.0
Net sales	¥ 586.9	¥ 545.1	—
Operating income	¥ 73.2	¥ 70.5	¥ 73.5

Notes: Segment components have changed, reflecting a new management approach from FY2011. For convenience, performance of FY2010 was restated to conform to the new segment components.

BUSINESS OVERVIEW AND PERFORMANCE

The Kirin Group's domestic alcohol business is built around two core subsidiaries. Kirin Brewery Co., Ltd., one of Japan's top beer manufacturers, and Mercian Corporation, a leading domestic maker and distributor of domestic and imported wine in volume terms.

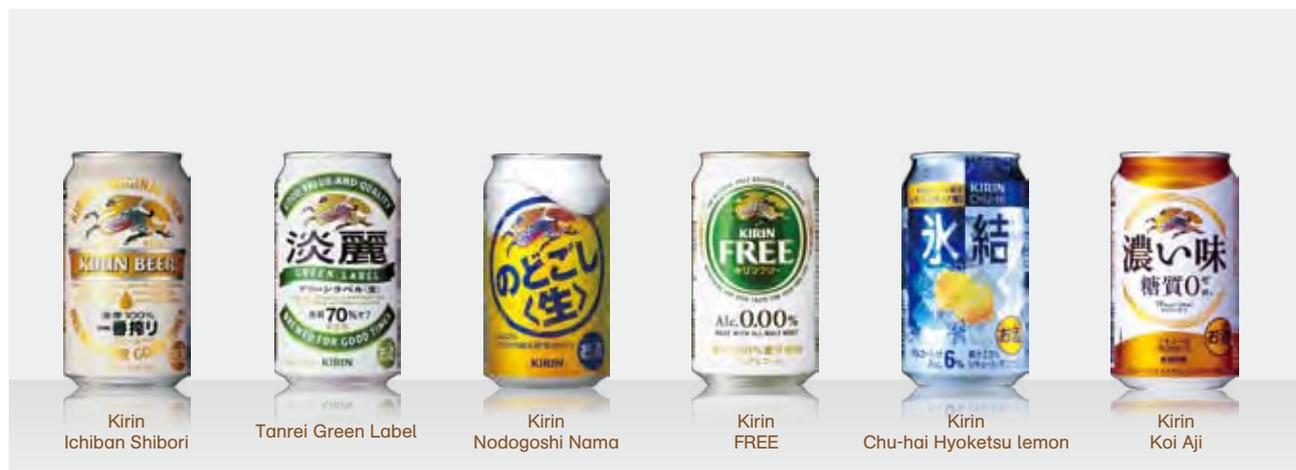
The year-end results reflect depressed consumer sentiment and an increasing awareness of crisis preparedness, due to the Great East Japan Earthquake, as well as a diversification of taste, and the effect of an aging society. All of these contributed to the shrinkage of the beer/happo-shu/new genre products market by 3.7%. Furthermore, the devastating impact of the earthquake constrained Kirin Brewery's manufacturing and supply systems. Despite these circumstances, Kirin Brewery reinforced its brands through selection and concentration, and by creating new value in an effort to expand the market, customers began returning to familiar brands. Kirin Brewery recorded total aggregate sales volume of 160.3 million cases* in the combined beer/happo-shu/new genre category. This was a year-on-year fall of 4.9%.

The tendency to eat at home increased significantly, resulting in a large expansion in wine consumption. Wine sales for the whole market grew by 5 to 6%. Mercian proposed many ways for customers to enjoy a rich life accompanied by wine. These efforts expanded Mercian's volume sales by 4% from the previous year's total.

For the year, the domestic alcohol business recorded net sales of ¥545.1 billion (excluding liquor taxes), down 7.1% year on year and operating income of ¥70.5 billion, a decline of 3.6%.

* One case is equivalent to 20 large bottles (12.66L) and this number is calculated based on taxation figures.

Brands



MAJOR MOVEMENTS AND DEVELOPMENTS

➤ KIRIN BREWERY

Major products

Kirin Brewery's top products in the beer, happo-shu [low-malt beer], "new genre" [no-malt beer, etc.] categories, respectively, are *Kirin Ichiban Shibori*, *Tanrei Green Label* and *Kirin Nodogoshi Nama*. In the growing RTD [ready to drink] market, the *Hyoketsu* brand is a strong stand out. Creating a market all its own, *Kirin FREE* is the first 0.00% alcohol beer-taste beverage.

Kirin Brewery also produces, distributes and markets *Heineken*, *Budweiser* and *Guinness* beer, in Japan.

The whiskeys *Fuji Sanroku*, *Four Roses*, *I.W. Harper*, *White Horse* and *Johnnie Walker* are all strong sellers in Japan.

New products

In the new genre market in addition to *Kirin Nodogoshi Nama*, which overwhelmingly dominates, we launched *Kirin Koi Aji*. In the RTD market, Kirin Brewery maintained strong sales of *Kirin Chu-hai Hyoketsu Yasashii Kajitsu no 3%*, a new product with 3% alcohol.

A new style of beer, *Kirin Ice Plus Beer*, designed to be drunk with ice, was sold for a limited period during the summer to stimulate and revitalized the market.

Overseas operations

We are determined to expand overseas sales of Kirin Brewery brands by developing a global branding structure. Overseas

sales of *Kirin Ichiban Shibori* rose in a number of markets, including Europe, Taiwan and Singapore. In October, test sales in the on-premise market of *Kirin FREE* began in Los Angeles and other West Coast areas in the United States.

➤ MERCIAN

Major products

Mercian Corporation is a leading maker and distributor of wine in volume terms in Japan. Domestic table wines include *Mercian Oishii-Sankaboshizai-Mutenka Wine* [a delicious and antioxidants-free wine], while among our imported table wines, our Chilean wine *Frontera* and California wine *Franzia* enjoy steady sales.

New products

In 2011, Mercian launched *Chateau Mercian Ensemble* so that more consumers could experience wines made entirely from Japanese-grown grapes. Another focus was the expansion of the domestic bottling business, which joins domestic wines and imported wines as a core business segment. Mercian introduced the *St. Hallett Tatiara* range, developed jointly with Lion, a Kirin Group subsidiary in Australia.

Mercian Free Sparkling is a non-alcohol wine-taste beverage developed in with Kirin Brewery to drive the growing non-alcohol beverage market.

The *Franzia* PET bottle range is designed to expand the market by lowering barriers to wine drinking.

BASIC STRATEGIES

Kirin Brewery, Mercian and Kirin Beverage are all working closely to stimulate renewed growth in the domestic integrated beverages business. Specifically, Kirin Brewery and Mercian are seeking to coordinate brand management where possible promote growth in core brands, and provide new forms of value geared toward the needs of customers. In doing so, they aim to reduce procurement costs, optimize operations at domestic production facilities and reduce distribution costs. These goals are reflected in each company's specific basic strategies.

> KIRIN BREWERY

1. To strengthen basic brands through selection and concentration and create new value for consumers
2. To strengthen sales and marketing systems through the establishment of Kirin Beer Marketing Company
3. To expand overseas sales of Kirin Beer brand products

Brand strategies

Kirin Brewery will continue to concentrate on the beer, happo-shu and new genre categories through the flagship brands, *Kirin Ichiban Shibori*, *Tanrei Green Label* and *Kirin Nodogoshi Nama*. It will also stimulate the *Hyoketsu* brand by allocating more resources to RTD products, which are a growth category. In addition, Kirin Brewery will target a return to growth in the non-alcohol beer-taste beverage category by updating *Kirin FREE*.

Efforts in the whisky category will focus on five brands: *Fuji Sanroku*, *Four Roses*, *I.W. Harper*, *White Horse* and *Johnnie Walker*. We will strengthen our proposals in the area of general spirits.

Marketing strategies

Kirin Brewery has employed a "value proposal" approach designed to strongly instill the value and attractiveness of its brands. This approach will evolve under a new structure created on January 1, 2012 when its existing sales organization merged with Kirin Merchandising to create Kirin Beer Marketing Co., Ltd. Kirin Beer Marketing provides integrated management at all levels, from head office negotiations to activities in stores, bars and restaurants, enhancing the ability to combine problem-solving with value proposal marketing.

Overseas operation strategies

Kirin Brewery is determined to expand overseas sales of *Kirin Ichiban Shibori* and other Kirin Brewery brands by developing a global branding structure. Sales of *Kirin Ichiban Shibori* by local subsidiaries in Europe, the United States and Taiwan continue to show positive year on year growth. Exports to Singapore, South Korea and Hong Kong are also expected to increase substantially, and we are currently considering expansion into the Thai market.

Information gained from test marketing of *Kirin FREE* in the United States since October 2011 will be used in demand research in other markets as the basis for assessments of export potential.



> MERCIAN

1. Product strategy: Reinforcement and development of product brands toward becoming number one in their categories
2. Sales and marketing strategy: Qualitative evolution of value marketing, expansion of sales
3. Meeting the challenge of market creation
4. Management centered on the Mercian brand
5. Optimization of productivity and cost competitiveness through continual improvement

Brand strategies

Mercian will update our flagship range of *Oishii-Sankaboshizai-Mutenka Wine* [a delicious and antioxidant-free wine]. We will strengthen our flagship range of Chilean wines, the *Frontera* series, by adding a sauvignon blanc wine. Another goal is to develop brands in the growth stage, such

Brands



as by adding a line-up of rosé wines to the *St. Hallett Tatiara* range. Mercian will launch *Mercian every* so that more consumers can enjoy high quality wine at reasonable price.

Marketing strategies

Mercian will seek to expand sales through value marketing by the Mercian Group and seek to increase market share through solution-based value proposal marketing. In cooperation with Kirin Beer Marketing Company, we aim to enhance our ability to place more products in retail outlets, restaurants and bars that already sell Kirin Brewery products.

Publicizing Mercian's wine-making history, technology, achievements and the philosophy behind its wine business will raise consumer confidence and loyalty; thus, enhancing the value of our product brands.

Japanese liquor-related activities

In July 2012, marketing operations for Japanese liquor products, specifically *shochu* and *umeshu*, will be transferred from Kirin Brewery to Mercian, which manufactures these products. We will collaborate with Kirin Beer Marketing Company on sales and marketing. This change will allow us to respond more quickly to changing customer needs.

PERFORMANCE FORECAST FOR FY2012

The multiple impacts of the integrated sales and marketing strategy combined with increased value for customers begin to be felt in FY2012, the year ending December 31, 2012. Kirin forecasts sales in the domestic alcohol beverages business of ¥883.0 billion (including liquor taxes), an increase of ¥14.7 billion or 1.7% over the previous year, and operating income of ¥73.5 billion, an increase of ¥2.9 billion or 4.1%.



Domestic Non-Alcohol Beverages

For supplementary information,
please see the Data Book.

DATA BOOK P.05



Financial Indicators

(Billions of yen)

	2010	2011	2012 (forecast)
Net sales	¥ 347.7	¥ 314.5	¥ 340.0
Operating income	¥ 2.4	¥ 2.8	¥ 6.0

Note: Segment components have changed, reflecting a new management approach from FY2011. For convenience, performance of FY2010 was restated to conform to the new segment components.

➤ KIRIN BEVERAGE

BUSINESS OVERVIEW AND PERFORMANCE

Due to its leading brands in the coffee, tea, mineral water, fruits & vegetables and carbonated soft drink segments, Kirin Beverage Co., Ltd. maintains a strong position in the domestic marketplace. A decline in consumer confidence, general deflationary pressure, and the impact of the Great East Japan Earthquake all contributed to lower sales in the Japanese soft drink market in 2011. However, demand for water partially offset this decrease, and so overall, Japanese market demand was the same level as the preceding year.

Kirin Beverage made effort to strengthen its product value and sales force, as well as continued to improve its income structure while also working to enhance its brand power and strengthen its marketing capabilities. On a consolidated basis, the total sales volume for domestic beverages was 98% compared to last year.

Consequently, while net sales in the domestic non-alcohol beverages business were down by 9.5% to ¥314.5 billion, in part due to a lower sales volume, operating income increased by 14.2% to ¥2.8 billion as a result of cost-reduction efforts.

MAJOR MOVEMENTS AND DEVELOPMENTS

Major products

The core brand, *Kirin Gogo-no-Kocha* [Afternoon Tea], Japan's most popular brand of bottled tea*, set a new sales record for the second consecutive year.

Kirin FIRE, canned and PET-bottled coffee products suit the distinctive tastes and settings of different generations of coffee drinkers.

Kirin Nama-cha green tea is set apart from competing products by unique characteristics, including a fresh taste and invigorating aroma made possible by bringing out the sweet and umami flavors of tea.

Brands



Key bottled water brands *Kirin Alkali Ion Water* and *Volvic* are strong and steady sellers. *Volvic* is the number-one selling imported water brand in Japan*.

Kirin Lemon is a refreshing carbonated lemon drink with vitamin B6 and calcium.

Koiwai brand products enjoy a reputation for excellent taste and quality, especially *Koiwai Junsui Kaju* [Pure Water Fruit Juice] and *Koiwai Milk and Coffee*.

*2011 forecasts based on research by the Food Marketing Institute

New products and value

Priority was given to the reinforcement of the *Gogo-no-Kocha* [Afternoon Tea] and *Fire* brands. To give consumers new situations for tea drinking, we further expanded the *Gogo-no-Kocha Espresso Tea* series and introduced *Gogo-no-Kocha Oishii Muto* [Afternoon Tea Delicious Unsweetened].

In the *Fire* range, *Fire Neo*, was launched as a PET bottle coffee product, which became popular with young people and women.

As a summer rehydration and electrolyte replacement drink, *Sekai no Kitchen kara Salty Lychee* [World Kitchen Salty Lychee] reached double the initial target in volume terms.

The new healthy blended tea, *Karada Omoi-Cha Poppo-Cha*, helped contribute to the growth of the *Kirin Plus-i* brand being promoted by the Group-wide Kirin Health Project.

Overseas operations

Through our overseas activities, we actively provided support in the areas of soft drink development and production, human

resources and expertise, in step with the global expansion of the Kirin Group's overseas activities.

During this year, Kirin Holdings established a joint venture with China Resources Enterprise Limited (CRE) to form China Resources Kirin Beverages (Greater China) Company Ltd. Kirin holds a 40% share in this new venture, with CRE holding the remaining 60%. Accordingly, Kirin's stake in each of its subsidiaries, Shanghai JinJiang Kirin Beverage & Food Co., Ltd., Kirin Beverage (Shanghai) Co., Ltd., Shanghai Kirin Beverage & Food Co., Ltd., and Beijing Flying Kirin Beverage Co., Ltd. was transferred under the umbrella of China Resources Kirin Beverages Group.

In Vietnam, Kirin Beverage acquired Vina Kirin Acecook Beverage Company, Limited, which became a wholly owned subsidiary. Vina Kirin Acecook Beverage was established as a joint venture with Acecook Co., Ltd. in 2008.



Brands



Kirin Gogo-no-Kocha
Espresso Tea

Kirin Gogo-no-Kocha
Pungency

Kirin Gogo-no-Kocha
Oishii Muto

BASIC STRATEGIES

1. Further expansion and creation of brands toward making them number one in their categories
2. Expansion of categories through the proposal of cross-category concepts
3. Proposal of concepts for the new unsweetened tea category
4. Evolution of channel-specific strategies

Brand strategies

We will put forward new ideas with the aim of expanding and creating category number one brands, especially in support of *Gogo-no-Kocha*, as well as advance our plans to strengthen our different sales channels. We propose to meet the needs and values of customers by adapting to changes in lifestyle and tastes. From last year, as a strategy for each product, we increased our efforts to listen to repeat customers, to expand our sales channels and to strengthen our competitiveness. In terms of strengthening our product competitiveness, in addition to firmly establishing our core brands, we will bolster our efforts in the unsweetened tea category.

Marketing strategies

Our sales and marketing activities center on our brands and focus in particular on activities in stores, where customers actually encounter our products and obtain

information. We will continue to maximize synergy benefits through activities based on expanded cooperation with group companies. We will also use our market research capabilities to enhance sales and marketing activities based on the proposal of new value.

Our strategy for mass-retail channels calls for a review of sales and marketing activities to place increased emphasis on in-store activities. Under our CVS channel strategy, we will work to expand our product line-up and develop standard products. For the vending machine channels, we will further enhance sales and marketing activities based on the proposal of new value. We will propose stocking machines with product offerings that are optimized from the consumer perspective, and we will work to secure installation sites and increase operating rates with the aim of expanding customer contact points.



Brands



Overseas operation strategies

Utilizing network structural reforms, Kirin Beverage will work more closely with Kirin Holdings Singapore and other business partners in Asia to expand the brand value and sales throughout East and Southeast Asia.

In Thailand and Vietnam, we will work to expand our businesses there by strengthening our collaboration with local partners, while continuing to improve earnings. In China, we will step up support of China Resources Kirin Beverages.

PERFORMANCE FORECAST FOR FY2012

More than before, we intend to follow a customer-focused approach, at the same time we work to consolidate product strength and enhance business performance. In addition, we will continue to raise realized earnings through growth, while reforming our earnings structure. By implementing these measures, for FY2012, the year ending December 31, 2012, Kirin Beverage forecasts net sales in the domestic non-alcohol beverages business of ¥340.0 billion, an increase of ¥25.4 billion or 8.1% over the previous year, and operating income of ¥6.0 billion, an increase of ¥3.1 billion or 114.1%.



Overseas Beverages



For supplementary information, please see the Data Book.

DATA BOOK P.04



Financial Indicators

(Billions of yen)

	2010	2011	2012 (forecast)
Net sales	¥ 403.9	¥ 454.2	¥ 587.0
Operating income	¥ 22.9	¥ 15.3	¥ 27.5

Note: Segment components have changed, reflecting a new management approach from FY2011. For convenience, performance of FY2010 was restated to conform to the new segment components.

BUSINESS OVERVIEW AND PERFORMANCE

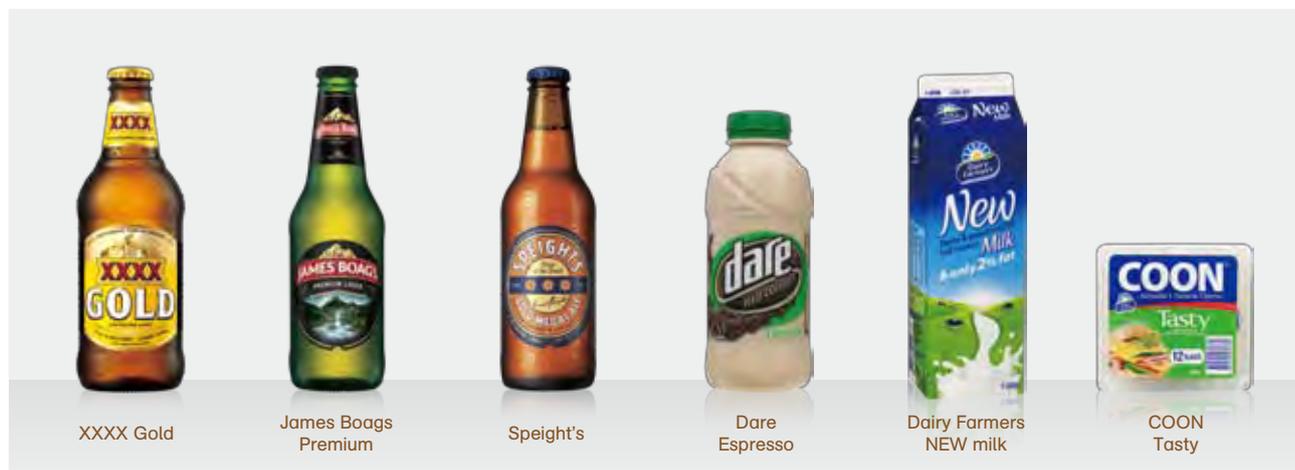
The overseas beverages business operates mainly in East Asia outside Japan, Southeast Asia and Oceania. Additional operations are in Brazil, the United States and Europe. Lion Pty Ltd., based in Australia is the largest contributor to these operations.

Lion's alcohol beverages and soft drinks and foods businesses continued to make progress in improving profitability and efficiency by pursuing a strategy of investing in people and a portfolio of high potential brands to drive sustainable results in the long term. While Australia's economy continues to benefit from the country's strong resource industry, other industries, particularly the FMCG (fast moving consumer goods) and retail sectors, continue to face significant challenges—with low consumer confidence impacting spending. Short-term issues such as ongoing poor weather and natural disasters in Lion's key markets have further exacerbated these challenges.

Despite these conditions Lion's alcohol beverages business continued to manage its business for the long term through innovation and a sustainable balance of volume, pricing and mix. Lion's "XXXX" trademark continued to grow volume share, with new innovation *XXXX Summer Bright Lager* performing well. Benefiting from a new flavor variant and the popularity of cider, now the fastest growing alcohol category, *Tooheys 5 Seeds* continued its strong growth, securing its place as the second largest cider in the market.

Conditions in the soft drinks and foods business remained very difficult for farmers and processors alike. Ongoing low consumer confidence was further intensified by sustained deep discounting on white milk in grocery. The business has made significant progress removing duplication from its network and focusing site investment for future growth and continues to focus on a portfolio of high potential brands to deliver sustainable growth over the long term. Despite this challenging environment, Lion saw a strong performance in dairy beverages, which remained Lion's fastest growing dairy

Brands



category, and in particular the Dare brand. The popularity of iced coffee flavor variants is continuing to drive overall category value growth.

Consequently, since last year's first-quarter consolidated accounting period (January 1, 2010 to March 31, 2010) was not included due to a change in the accounting period for Lion's soft drinks and foods business, reported sales increased to ¥454.2 billion, an increase of 12.4%, but reported operating income decreased to ¥15.3 billion, a decline of 32.8%.

MAJOR MOVEMENTS AND DEVELOPMENTS

As it further consolidated its status as a leading group in the Asia and Oceania regions through a business strategy centered on these markets, Kirin continued to explore new business opportunities in other markets.

In November 2011 Kirin Holdings acquired Brazilian beer and soft drinks producer Schincariol Participações e Representações S.A. (Schincariol) as a wholly owned subsidiary.

In March 2011, it acquired the shares of the Interfood Shareholding Company, a soft drink manufacturer and distributor in Vietnam, and in August 2011, beverage operations in China were reconfigured under China Resources Kirin Beverages (Greater China) Company Ltd., a joint venture between Kirin Group and China Resources Enterprise, Limited.

BASIC STRATEGIES

Kirin Group is strengthening global management practices as it sharpens its overseas integrated beverages strategy. The

core management objectives are to strengthen the operational foundations in Asia, Oceania and Brazil and generate growth through cooperation between businesses in different countries.

Steady focus is on reinforcing the foundations of the management structure to support global growth in the medium- to long-term.

> LION (AUSTRALIA AND NEW ZEALAND)

1. Create a strong business platform in the soft drinks and foods business by focusing investment on people and high potential brands, optimizing the site footprint and establishing the best value chain for future growth.
2. Improve product mix through premiumization and innovation in growing categories, such as craft and low-carbohydrate beer.
3. Achieve sustainable cost reductions by reducing fixed costs throughout the business.

Despite tough circumstances, such as the ongoing deep discounting of private label white milk, weak consumer confidence and increased input costs, Lion is pursuing its profit target for 2012 in the soft drinks and foods business through effective procurement, improving mix and sustainable cost reduction.

Brands



Lion will continue its commitment of investing in both its people and a focused portfolio of high-potential brands, while optimizing the business to drive sustainable results in the long-term, in support of Kirin's integrated beverages strategy in Australasia.

➤ SCHINCARIOL (BRAZIL)

1. Under the new management structure, aim to rapidly tackle post-merger integration issues, reverse last year's temporary stagnation and achieve significant improvements in performance, then set about establishing a basis for growth in the medium- to long-term based on Kirin's experience.
2. Promote optimization of marketing strategies that are in line with market realities and accelerate growth in sales and profit.
3. Strengthen functions along the entire value chain and improve efficiency.

Schincariol is the second largest beer producer in Brazil known for its *Nova Schin* and *Devassa Bem Loura* brands. Schincariol also produces and distributes carbonated soft drinks, juices and bottled water under the *Schin* and *Skinka* brands, among others, and ranks third in the Brazil carbonated soft-drinks market. Schincariol Group has a nationwide distribution network and 13 modern production facilities, providing the optimal platform for further development of

operations in the rapidly growing Brazilian market.

Brazil's beer and soft drink markets are large, promising markets with an approximate size of ¥3 trillion each, and which are expected to maintain stable growth powered by Brazil's economic expansion due to continuous population and personal income growth.

Over the medium to long term, the newly acquired Brazilian integrated drinks subsidiary, Schincariol is aiming to resolve issues resulting from the previous management structure to realize its inherent profitability potential and meet growth expectations by combining its strengths with the strengths of Kirin in the fast-growing market in Brazil. These efforts include establishing clear customer-oriented value chains and increasing brand value. At the same time, the company is working to eliminate strain, waste and irregularities in all processes, from



Brands



procurement to sales, as it increases productivity. The new aim is to make the most of new group synergies as an important component of an integrated beverages group strategy.

➤ **KIRIN HOLDINGS SINGAPORE (SOUTHEAST ASIA)**

1. Integrate sales functions of Vietnam Kirin Beverage and Interfood.
2. More strongly focus product development on local customer preferences.
3. Jointly develop supply chain among companies in the region to promote expansion of product coverage areas.

Kirin Holdings Singapore coordinates the operations of operating companies in Southeast Asia, (principally Singapore, Malaysia, Vietnam and Thailand). It promotes Group synergies through integration of functions and restructuring operations, and its immediate aims are to expand our business for Kirin Group products in Southeast Asia. To accomplish this, the company is using the sales channels of Fraser and Neave Limited and aims to release products into Singapore and Malaysia in 2012.

➤ **SAN MIGUEL BREWERY (REPUBLIC OF THE PHILIPPINES)**

San Miguel Brewery Inc. has overwhelming market share and a stable revenue base in the Philippines and is aggressively developing its alcohol business not only in the Philippines but also overseas.

➤ **CHINA RESOURCES KIRIN BEVERAGES (CHINA)**

China Resources Kirin Beverages, which is a joint venture established together with China Resources Enterprise, will work to develop its soft drinks business through expanding into new markets in China and putting products onto the market.

PERFORMANCE FORECAST FOR FY2012

For FY2012, the year ending December 31, 2012, based on the improving profitability of Lion, the addition of Schincariol to Kirin Group, Kirin forecasts consolidated net sales in the overseas beverages business of ¥587.0 billion, an increase of ¥132.7 billion or 29.2% over the previous year, and consolidated operating income of ¥27.5 billion, an increase of ¥12.1 billion or 78.7%.

Pharmaceuticals and Bio-chemicals

For supplementary information,
please see the Data Book.

DATA BOOK P.06



Financial Indicators

(Billions of yen)

	2010	2011	2012 (forecast)
Net sales	¥ 404.7	¥ 332.8	¥ 318.0
Operating income	¥ 48.7	¥ 49.4	¥ 51.0

Note: Segment components have changed, reflecting a new management approach from FY2011. For convenience, performance of FY2010 was restated to conform to the new segment components.

➤ KYOWA HAKKO KIRIN

BUSINESS OVERVIEW AND PERFORMANCE

In the pharmaceuticals business, at Kyowa Hakko Kirin, sales remained strong for the core product *NESP*, a treatment for renal anemia. Moreover, the higher than usual amounts of airborne pollen led to increased sales of the antiallergic agent *ALLELOCK* and the antiallergic eye drops *Patanol* far beyond the previous year.

In the export of pharmaceuticals and revenue from technology licensing, exports, especially those to Asia, did well, but in the revenue from technology licensing, sales were down compared with the previous year.

In the bio-chemicals business, at Kyowa Hakko Bio, demand for pharmaceuticals and industrial ingredients centered on amino acid and nucleic acid related materials increased overseas. The volume of sales increased as a result of an aggressive expansion of sales routes, but, largely affected by the appreciation of the yen, the value of sales were lower than the previous year.

Consequently, only results for the first quarter consolidated accounting period (January 1, 2011 to March 31, 2011) were included for the chemicals business because of the transfer of all shares.

As a result, reported net sales were ¥332.8 billion, a decrease of 17.8%, but reported operating income was ¥49.4 billion, an increase of 1.5%.

MAJOR MOVEMENTS AND DEVELOPMENTS

Steady progress was made with respect to research and development of new drugs, both in Japan and overseas, such as an application for approval being made in April for KW-0761, a humanized monoclonal antibody that uses POTELLIGENT, one of the proprietary antibody technologies.

In addition, in April 2011, the Kyowa Hakko Kirin acquired all shares of ProStrakan Group Plc, a UK-based specialty pharmaceutical company that has development

Brands



and distribution systems in the U.S. and Europe for cancer-related and other ethical drugs.

Kyowa Hakko Kirin also concluded a basic agreement in November with FUJIFILM Corporation for the establishment of a joint venture company to develop, manufacture and sell highly reliable, high-quality and competitive products in the biosimilars market, where high growth is expected.

Additionally, in March, Kyowa Hakko Kirin transferred all of its shares held in Kyowa Hakko Chemical to concentrate on core businesses in the pharmaceuticals and biochemicals fields, which benefit more directly from our fundamental technical strengths.

PHARMACEUTICALS

Major products

In the core therapeutic areas of oncology, nephrology and immunology, Kyowa Hakko Kirin leverages leading-edge biotechnologies.

NESP is a new anti-anemia agent that attaches new sugar chains through partial modification of the amino acid sequence of human erythropoietin (EPO). It has the vital characteristic of correcting anemia with smaller doses than had been required previously.

ESPO is a glycoprotein, human erythropoietin, produced by using the technology of genetic recombination. Its specific pharmacological effect of increasing erythrocytes allows it to act as an anemia-relieving treatment for dialysis patients.

REGPARA is a new class of agent for the treatment of secondary hyperparathyroidism.

ALLELOCK is a medicine for patients with all types of allergies (generic name olopatadine hydrochloride). It exhibits potent and selective antihistamine activity, and suppresses various symptoms of allergies by widely inhibiting the factors involved in allergic reactions. It relieves the three major symptoms of pollinosis or allergic rhinitis (sneezing, nasal discharge and congestion), as well as itching associated with chronic urticaria and skin diseases.

Patanol, anti-allergic eye drops utilize the same olopatadine hydrochloride as their active ingredient. The product was first developed, manufactured and sold overseas by the Alcon Group. It is approved for sale in over eighty countries worldwide including Japan.

GRAN is a protein produced by genetic recombination technology. It works to selectively increase the count of a type of white cell and to increase its functional efficacy. This enables a quick recovery from neutropenia occurring as a result of cancer chemotherapy and reduces the risk of infection.

CONIEL is Japan's first long-acting calcium antagonist (generic name benidipine hydrochloride) and is effective against both hypertension and angina pectoris.

New product developments and R&D pipeline

With respect to research and development of new drugs, steady progress was made both in Japan and overseas.

Two applications for approval were filed in Japan in 2011, in April, for KW-0761, a humanized monoclonal antibody that uses proprietary antibody technologies, for treatment of adult T-cell leukemia-lymphoma, and in July for

KW-6500, a dopamine receptor agonist for treatment of Parkinson's disease.

Elsewhere in Asia, Kyowa Hakko Kirin filed for approval of Pegfilgrastim, a long-acting granulocyte colony stimulating factor, and in for Cinacalcet hydrochloride, a calcium receptor agonist for treatment of hyperthyroidism related to kidney disease.

Application for approval in Japan for the additional indication for *NESP* (Darbepoetin alfa) as a treatment for chemotherapy-induced anemia was withdrawn after determining with approval authorities that currently submitted data was insufficient.

In August 2011, Phase III multinational clinical trials were started in Japan, South Korea and Taiwan for ARQ 197, being developed as a treatment for progressive and metastatic non-small-cell lung cancer.

Kyowa Hakko Kirin currently has 23 potential drugs in Phase II or Phase III clinical trials and 10 drugs in Phase I.

Overseas operations

In April 2011, Kyowa Hakko Kirin acquired ProStrakan, a fast-growing international specialty pharmaceutical company based in the U.K. Its business has been dedicated to the acquisition and/or developed high-value medicines for the treatment of unmet therapeutic needs. ProStrakan has an established infrastructure and sales presence across both Europe and the U.S., supported by a portfolio of proprietary products, such as Sancuso. Kyowa Hakko Kirin attaches great importance to the skills and experience of the existing management and employees of ProStrakan. KHK intends to use ProStrakan's infrastructure to establish a direct sales and marketing presence in the U.S. and Europe.

BIO-CHEMICALS

Taking advantage of its technological edge in fermentation and synthesis processes, Kyowa Hakko Bio, a subsidiary of Kyowa Hakko Kirin, supplies global markets with a broad array of products including amino acids (peptides), nucleic acids, vitamins and sugars (sugar nucleotides and oligosaccharides), which are in turn used by its customers to produce pharmaceuticals, health foods, foods, cosmetics and other products that demand safe high-quality raw materials. The company has established a global system of production and marketing of products targeted at high value-added medical care and health applications.

BASIC STRATEGIES

1. Further strengthen domestic sales operations as a means of boosting sales of flagship products and speeding up market penetration of new products.
2. Strengthen cooperation with ProStrakan (UK) as part of a global development and sales strategy in Europe and the U.S.
3. Set up a joint venture company together with FUJIFILM to provide a new business model for the biosimilars market.

In the Japanese market, which serves as the basis of our pharmaceuticals business spearheaded by Kyowa Hakko Kirin, we will continue efforts to strengthen our sales outcomes. In addition to increasing sales of our core products, we will strive for the early market penetration of our new products, such as KW-0761, a humanized monoclonal antibody that uses proprietary antibody technologies. Last year, we filed the world's first application for approval to manufacture and sell this drug, and this year, we plan to launch it to market.

Furthermore, with the establishment of a joint venture company with the FUJIFILM Corporation around this spring, we will build a new business model in the biosimilars market. Outside Japan, we will work to improve our sales outcomes in Asia, especially in the Chinese market, and we will strengthen our development systems. In Europe and the US, we will promote our global expansion of development and sales more actively by strengthening our cooperation with ProStrakan.

In the bio-chemicals business advanced by Kyowa Hakko Bio, we will aim for business growth through global expansion of sales of amino acid and nucleic acid related materials, with a focus on applications in the high value-added areas of pharmaceutical, medical and healthcare.

PERFORMANCE FORECAST FOR FY2012

New plans are being carried out to increase sales and income growth through greater focus on major pharmaceutical products and introducing new products to the market as soon as possible. In pharmaceuticals, we forecast growth in both net sales and operating income, but these increases will not immediately offset the impact from the sale of the chemicals business. As a result, for FY2012, the year ending December 31, 2012, Kyowa Hakko Kirin forecasts net sales in the pharmaceuticals and bio-chemicals business of ¥318.0 billion, a decline of ¥14.8 billion or 4.5% over the previous year, and operating income of ¥51.0 billion, an increase of ¥1.5 billion or 3.1%.

Pipelines

(As of January 24, 2012)

Area	Code Name	Indication	Region of Development	Stage				
				Phase I	Phase II	Phase III	Filed	Approved
Oncology	KW-0761	Adult T-cell Leukemia/Lymphoma	Japan	→				
		Peripheral T-cell Lymphoma and Cutaneous T-cell Lymphoma	USA	→		Phase 1/2		
		Adult T-cell Leukemia/Lymphoma, Add-on therapy (for Untreated Patients)	Japan	→				
		Peripheral T/NK-cell Lymphoma	Japan	→				
	Pegfilgrastim	Chemotherapy induced Febrile Neutropenia	Asia*1	→				
	KW-2246	Cancer Pain	Japan	→				
	KRN125	Chemotherapy induced Febrile Neutropenia	Japan	→				
	ARQ197	Gastric Cancer	Japan/Korea	→				
		Lung Cancer	Japan/Korea/Taiwan	→				
	KW-2478	Multiple Myeloma	UK/US/PH	→		Phase 1/2		
	KRN321	Myelodysplastic Syndrome related Anemia	Japan/Korea	→				
	KRN1493	HyperCalcemia with Parathyroid Carcinoma or Intractable Primary Hyperparathyroidism	Japan	→				
	KW-2450	Cancer	USA	→		Phase 1/2		
	KRN330	Cancer	USA	→		Phase 1/2a		
	BIW-8962	Cancer	USA	→		Phase 1/2a		
	KRN951	Cancer	Japan	→				
	KHK2866	Cancer	USA	→				
	LY2523355	Cancer	Japan	→				
	CEP-37250/KHK2804	Cancer	USA	→				
KHK2898	Cancer	Singapore	→					
Nephrology	Cinacalcet Hydrochloride	Secondary Hyperparathyroidism	Asia*2	→				
	Darbepoetin Alfa	Renal Anemia (on Dialysis)	Singapore	→				
	KRN321	Pediatric Renal Anemia	Japan	→				
		Renal Anemia (on Dialysis)	India	→				
			China	→				
RTA 402	Diabetic Nephropathy	Japan	→					
Immunology/ Allergy	ASKP1240	Organ Transplant Rejection	Japan	→				
			USA	→				
	KHK4563	Asthma	Japan/Korea	→				
	Z-206	Crohn's Disease	Japan	→				
KHK4827	Psoriasis	Japan	→					
CNS	KW-6500	Parkinson's Disease	Japan	→				
	KW-6002	Parkinson's Disease	Japan	→				
			USA	→				
KW-6485	Pediatric Epilepsy	Japan	→					
Other	AMG531	Idiopathic (Immune) Thrombocytopenic Purpura	Asia*3	→				
	KW-3357	Disseminated Intravascular Coagulation, Congenital Antithrombin Deficiency	Japan	→				
			Europe	→				
	KHK6188	Neuropathic Pain	Japan	→				
KRN23	X-linked Hypophosphatemic Rickets/Osteomalacia (XLH)	USA/Canada	→		Phase 1/2			

*1 Korea, Vietnam *2 Philippines, Malaysia, Thailand, China *3 Approved in Malaysia/Field in Singapore and Taiwan.

Glossary

Phase I Confirming safety in a limited number of healthy volunteers, who have agreed to take part in the trial.

Phase II Confirming the safe, effective dosage, as well as the means of medication to a limited number of applicants, who have agreed to take part in the trial.

Phase III Confirming safety and effectiveness in new drugs compared to approved drugs in a large number of applicants, who have agreed to take part in the trial.

Research and Development

<http://www.kirinholdings.co.jp/english/rd/index.html>

R&D policy and R&D organization

The Kirin Group will pursue unique value and the ultimate in quality in the fields of food and health. The Kirin Group will continue to strengthen its cutting-edge fermentation and biotechnology, maintain its commitment to excellence in manufacturing and quality, and expand its technological prowess combining research and marketing capabilities that reflect customer needs in products and services. The Group's R&D activities are undertaken by the Kirin Holdings Co., Ltd. Central Laboratories for Frontier Technology, by project to promote the Health and Functional Food Businesses, and by the laboratories of each operating company. A total of 2,129 Group employees are engaged in R&D.

Principal results in FY2011

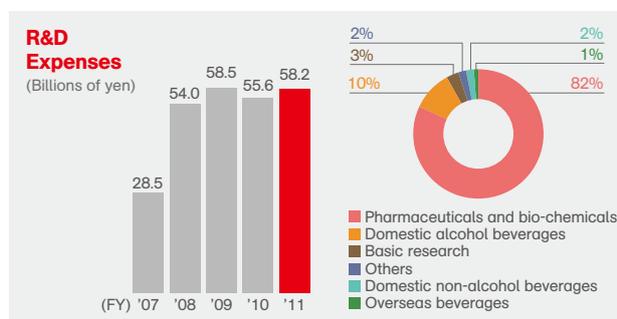
For the establishment and strengthening of future competitive advantage for the Kirin Group, the Central Laboratories for Frontier Technology is responsible for the R&D of the shared basic sciences and technologies in the Kirin Group, engaging in R&D and technological development unconstrained by the existing businesses. One principal result of activities in FY2011 was the discovery of a lactic acid bacterium, JCM5805, jointly with Koiwai Dairy Products Co., Ltd., a Kirin Group company. JCM5805 directly

stimulates plasmacytoid dendritic cells (pDCs), which are mammalian immune cells responsible for viral clearance. Another immunological topic was the finding that lignin glycoside extracted from barley husks, a byproduct generated through the production of low-malt beer, has an immunopotential effect in animals. The development of a yeast that can produce a useful substance by the digestion of xylose contained in woody material, a non-edible biomass is another promising result.

The project to promote the Health and Functional Food Business is a cross-organizational project to take advantages of the strengths of Kirin Group companies and accelerate Group synergies in the human health sector. The project engages in the functional evaluation of food products and food materials and the examination of materials and formula. One major result in FY2011 was the evaluation of the effects of ornithine consumption on various human sensations. The confirmation of improvement in human peripheral vital warmth by dietary roasted barley extract was another.

R&D expenses in FY2011

The Group's overall R&D expenses in FY2011 were ¥58.2 billion, including ¥1.8 billion in expenses for basic research that cannot be allocated to individual businesses.



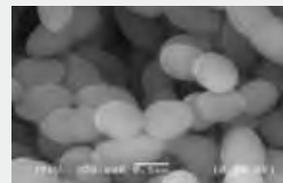
Key Achievements

As previously mentioned, one of our key achievements in future priority investigation fields was the discovery of JCM5805, *Lactococcus Plasma*. We elucidated that this bacterium directly stimulates pDCs, novel mammalian immune cells, and enhances interferon-alpha secretion by their DNA fraction as an effector. These results represent an advance of prevention of viral infectious diseases, which have been becoming an international healthcare issue.

We investigated the functional food component study in collaboration with Kyowa Hakko Kirin Co., Ltd., and showed beta-eudesmol, the flavor component of the herbal plants, activates the transient receptor potential ankyrin 1 (TRPA1) molecule and involved in the human oral sense of coolness. These results led to the development of healthcare blended tea, *Karada Omoi-Cha Su-to-Cha* which creates the sensation of coolness in the throat.

We also showed blood flow enhancement and elevation of the peripheral vital warmth by dietary roasted barley extract intake. The vital warmth elevating effect led to reversal of the chilled hands effect in human subjects.

Kirin Group is consulting R&D study especially related to the food and healthcare fields.



Lactococcus Plasma
(*Lactococcus lactis* JCM5805)



Roasted Barley

Sustainable Management System

<http://www.kirinholdings.co.jp/english/csr/index.html>

As a corporate group dedicated to the creation of new opportunities to enjoy good food and good health, Kirin places great importance on corporate social responsibility (CSR). Our commitment to increased efforts to solve the problems that confront society is guided by our determination to build closer bonds with all stakeholders.

Solving society's problems through our business activities is our basic stance

Contributing to building a low-carbon society

Climate change is having a major impact on the planet, and on the activities of the Kirin Group. That is why, in 2009, the Kirin Group set itself the ambitious goal of reducing CO₂ emissions across its entire value chain to one-half of the 1990 level by 2050. In 2010 we calculated CO₂ emissions from our entire value chain using methods based on the Greenhouse Gas (GHG) Protocol Scope 3 Standard established by WRI and WBCSD. Kirin was ranked first in the results of the 2011 Carbon Disclosure Project (CDP) survey, which covered the top 500 Japanese companies in terms of aggregate value, and we also achieved a high disclosure score.

WRI: World Resources Institute
WBCSD: World Business Council for Sustainable Development

Quantitative targets

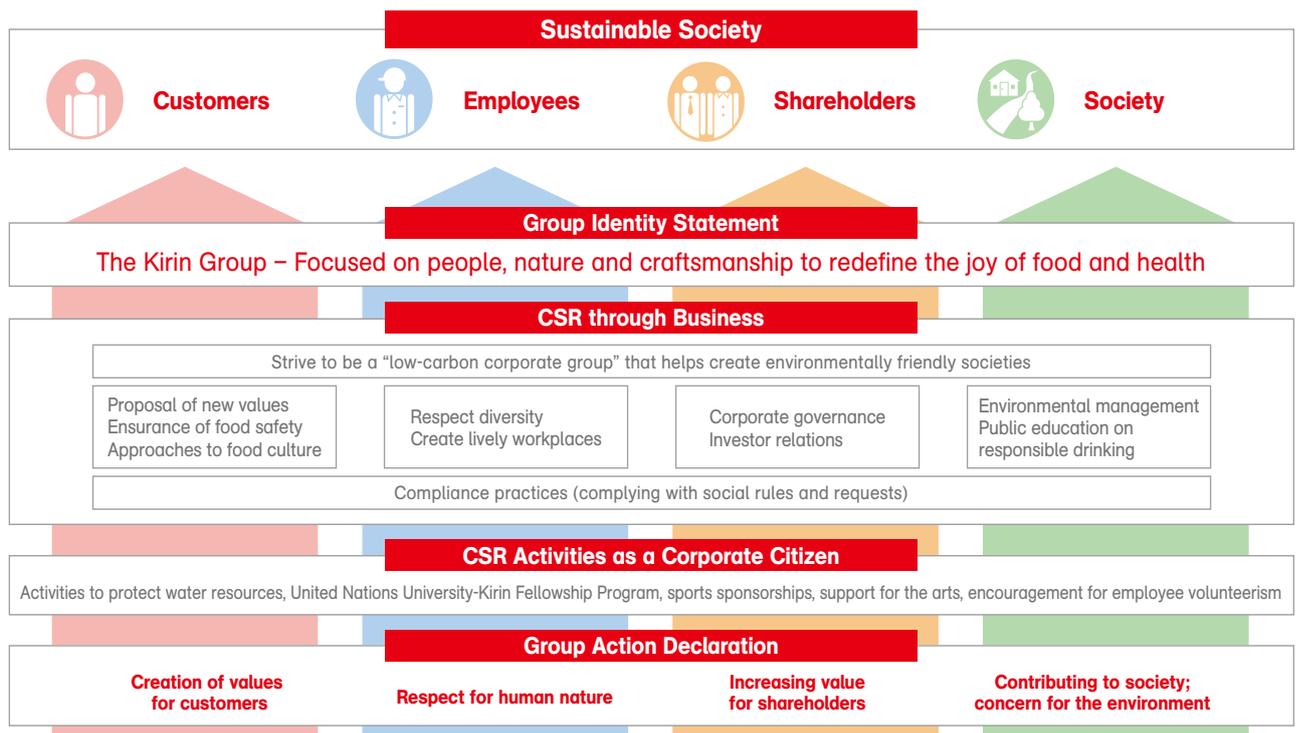
We have set the following quantitative goals for the Kirin Group, based on our awareness of the need to achieve a balance between anthropogenic CO₂ emissions and the limited capacity of the Earth to absorb CO₂.

1. We will halve CO₂ emissions across our entire value chain relative to the 1990 level by 2050.
2. We will reduce CO₂ emissions from manufacturing, logistics and office activities by at least 1% per annum until 2050.
3. We will reduce CO₂ emissions from manufacturing, logistics and office activities in Japan by 35% relative to the 1990 level by 2015.

Ensuring food safety

Kirin's business philosophy is firmly focused on the consumer and on quality. Our most important priorities under this philosophy are to ensure safety and provide customer satisfaction. Our group companies have developed quality management systems that allow continual improvement, and we have further strengthened those systems by establishing a group coordination office as the basis for integrated management.

Following the nuclear accident triggered by the 2011 earthquake, Kirin immediately set up radioactivity inspection systems to ensure food safety. These systems will be further enhanced in 2012 to support active disclosure of information about our products.



Efforts to eliminate drunk driving

Another aspect of Kirin's CSR activities is the dissemination of knowledge concerning the responsible use of alcoholic beverages. The aim of these public education initiatives is to prevent social problems arising from the harmful use of alcohol. In 2011 we ran a "designated driver" campaign based on *Kirin FREE*, a beer-taste beverage containing zero alcohol, in Tokyo and 18 prefectures in cooperation with the police and other government agencies. Our support activities in this area for employees include educational programs according to rank and initiatives to eliminate drunk driving.

* The Designated Driver Campaign

The aim of this campaign is to encourage groups of people who travel by car to bars, restaurants and other establishments where alcohol is served to choose a designated driver, who will not drink any alcohol and will be responsible for driving the group home. Through information campaigns such as this, Kirin is working to disseminate accurate information about alcoholic beverages and health.

Promoting diversity

Diversity is essential for the business management. In bringing the rewards of diversity to our business, we attach importance to promoting diversity and inclusion in our corporate culture. The Kirin Group is nurturing a corporate culture that encourages our employees to accept differences and treat everyone as individuals in order to build a workplace where everyone has opportunities to show their abilities to the fullest. We have set out a variety of initiatives, such as empowering female employees to grow professionally, enhancing a work-life balance and encouraging employment of persons with disabilities, to achieve our goal.



Kirin Women's College

Open and fair procurement

In FY2011, the Kirin Group reviewed its basic policies and the supplier CSR-guideline with the aim of strengthening its CSR-based procurement activities. By sharing the policies and asking the suppliers to understand our requirements and to improve their CSR activities, we build closer partnerships with our suppliers for creation of a better sustainable society.

Approach to food culture

Now in its fifth year, the Kirin Institute of Food and Lifestyle supports opportunities to foster wide-ranging bonds with consumers. As part of its contribution to the enhancement of dietary lifestyles, the Institute conducts surveys and research and distributes information about social change and changes in consumer behavior. The Institute also aims to provide young people with opportunities to gain new perspectives on diet and improve their skills in relation to eating, preparing and choosing food through programs that include workshops for university students, and Kirin Kid School for Deliciousness (Kirin Oishi Gakkou)—hands-on food education programs for elementary school children and their guardians.

The Kirin Institute of Food and Lifestyle creates opportunities to think about new ideas that anticipate changing consumer needs based on its reports on projected consumer trends in the period to 2025. It has also launched a number of projects designed to create new value within the Kirin Group. At this year's Forum on the Future of Food and Health, food researchers from the United Nations University-Kirin Fellowship Program gave a presentation on food communications in an aging society and participated in a discussion with employees about ways in which the Kirin Group can contribute through its business activities.



Kirin Kid School for Deliciousness

As a good corporate citizen

The Kirin Group has been supporting the Japanese soccer community for over 30 years. Our aim is to strengthen Japan's national soccer teams and encourage more people to enjoy soccer by fostering soccer culture in Japan. As the official sponsor, Kirin supports the Japanese national soccer teams in all categories. We are also helping to expand soccer's support base and develop future generations of fans and players by helping children who dream of one day becoming members of national soccer teams to achieve their dreams.

As a corporate group involved in business activities focusing on food and health, the Kirin Group supports Asian researchers in the area of food science to assist developing countries in Asia

in their efforts to solve food problems. We also enrich people's lives through sponsorship of arts and culture.



Soccer training at the Kirin Soccer Field



October 7, 2011 "Japan earthquake reconstruction support match". Starting members of Japan National Team (NADESHIKO JAPAN) in the game against selected members of the NADESHIKO League.



October 7, 2011 "Kirin Challenge Cup 2011." Starting members of Japan National Team (SAMURAI BLUE) in the game against Vietnam national team.

The Kirin KIZUNA relief-support project

Kizuna is a Japanese word meaning "bonding." The Kirin KIZUNA Project is the Kirin Group's commitment to contribute ¥6 billion over a three-year period to support reconstruction efforts in the Tohoku region, which was struck by the Great East Japan Earthquake and tsunami. The project will help bring the region's industry back on track and help children feel secure in the knowledge that things are going to be better and that they have a bright future ahead, which will in turn brighten up communities, helping them return to what they used to be.



Normally, it is prohibited to take photographs of volunteer work, however it was given permission by the Ishinomaki Volunteer Center as a special case on condition that no private homes were photographed.

Helping to restore the local food culture and food industry

-Medium-term initiatives to lay the economic foundation for reconstructing communities-

Restoring local agriculture

Provision of agricultural machinery to disaster areas in order to restart agriculture, and support for projects by the Graduate School of Agricultural Science of Tohoku University

Restoring local fisheries

Support for the restoration of marine farming (including oysters and wakame seaweed)

Bringing smiles to children

-Long-term initiatives to nurture children to become the next generation of leaders in their communities-

Scholarships for students studying agriculture

Financial support for students in agricultural high schools or taking agricultural courses

Cheering up children with music

Sponsoring the piano duo Les Frères to give concerts for children in disaster areas and donate musical instruments

Cheering up children through table tennis

Table tennis classes for children

Helping people enhance their mental and physical wellness

-Support for raising the spirits of communities on a daily basis-

Uplifting communities through soccer

Programs run by former Japanese national soccer team players, and donation of activity funds to soccer associations in disaster areas

Each year, Kirin Group is asking its employees and their families around the world to participate in the Kirin KIZUNA Relief-Support Fundraising drive. In 2011, the money raised is funding the Kirin-SCJ KIZUNA Scholarship Program. The Kirin Group is united in its support of reconstruction.

Corporate governance

Kirin is taking action to reinforce corporate governance in the entire Group in order to practice fair and efficient management as well as to earn the trust of all stakeholders, internal and external. With the transition to a pure holding company in July 2007, Kirin switched to an organizational structure based on a parallel array of operating companies and functional companies.

Regarding the corporate governance structure, to achieve the Group growth strategy, Kirin clearly defined the roles and responsibilities of each operating company and the holding company, and heightened levels of autonomy and agility in business. In addition, Kirin erected setups to encourage dramatic growth and the creation of Group premiums under the leadership of the holding company. The purpose is to maximize corporate value in the entire Group by expediting decision-making and making management more transparent and sound.

Kirin Holdings maintains a highly transparent governance system for all stakeholders by ensuring a close working relationship between the Board of Directors, which includes 2 outside directors, and the Board of Auditors, which includes 3 outside auditors, and by striving to strengthen the management audit function while effectively utilizing the audit function of the corporate auditors.

Kirin Holdings strives for highly transparent, efficient Group operation by means of organization design, the basis of corporate governance, as well as the establishment of the Compensation Advisory Committee and Appointment Advisory Committee, which include outside directors, and various other committees specific to the nature of decision-making and business content.

The Compensation Advisory Committee, consisting of four directors including the president, CEO and one outside director, serves as an advisory body to the Board of Directors that deliberates and reports from an objective and fair standpoint on the compensation of directors and corporate auditors, including an appropriate compensation system and a level of remuneration in relation to the business environment and business performance. The Appointment Advisory Committee, consisting of four directors including the president, CEO and one outside director, serves as an advisory body to the Board of Directors that prepares and reports on proposals for candidates for director, corporate auditor,

and other positions.

Outside directors ensure the appropriateness and adequacy of decision-making by the Board of Directors from an objective and independent standpoint based on their extensive experience as company managers, and check decisions on executive officer remuneration and selection of candidates for executive officer positions through participation in the Compensation Advisory Committee and Appointment Advisory Committee.

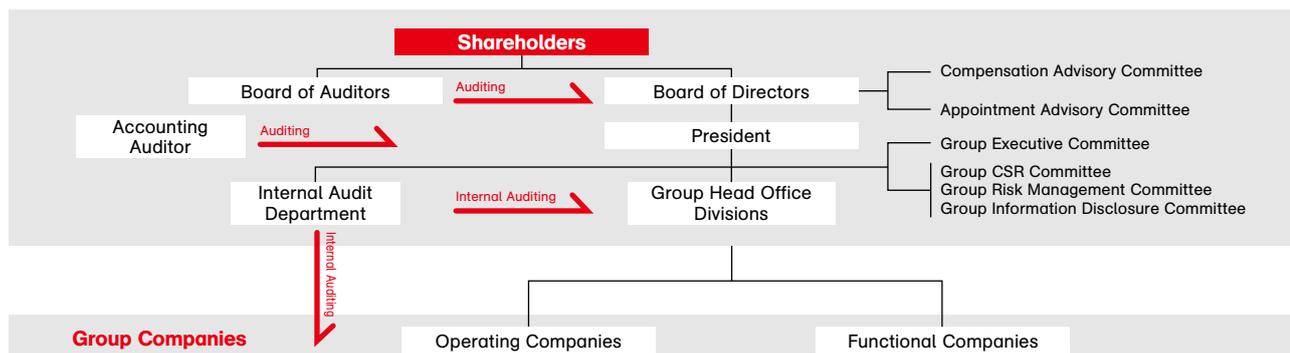
The Company's policy for remuneration of executive officers is as follows:

- (1) Remuneration shall be sufficient as an incentive to the executive officers to accomplish management policy, enhance business performance and improve shareholder value.
- (2) Remuneration shall be sufficient as consideration for execution of work as an executive officer.
- (3) The logic behind decisions shall be objective and transparent.

Remuneration for executive officers consists of monthly remuneration, which is fixed remuneration, and performance-related remuneration linked to consolidated business performance and individual performance. Performance-related remuneration consists of a bonus paid in accordance with consolidated business performance and individual performance each year, and share-purchase remuneration paid as a portion of basic remuneration. Performance-related remuneration is structured to motivate achievement of consolidated business performance on a single-year basis and management that reflects awareness of the medium- to long-term stock price. In addition, remuneration for corporate auditors and outside executive officers consists of monthly remuneration and bonus only.

The amount of bonus paid to inside directors is linked to three consolidated performance indicators – consolidated ROE (prior to amortization of goodwill), consolidated EVA, and consolidated net sales excluding liquor taxes – and individual performance evaluations. The amount of remuneration is designed so that the proportion of performance-related remuneration to the total amount of remuneration ranges from 40% to 50% at times of normal consolidated business performance.

Holding Company Governance Structure



Directors and Auditors

(As of March 30, 2012)



From left to right: Hiroshi Ogawa, Hirotake Kobayashi, Seiichi Hashimoto, Senji Miyake, Masahito Suzuki, Hajime Nakajima and Keisuke Nishimura

President and CEO	Senji Miyake		Corporate Auditor	Kazuyoshi Suzusho
Managing Director Representative Director	Hirotake Kobayashi	Group Business Investment and Alliance Strategy and Group IT Strategy	Corporate Auditor	Naoki Hyakutake
Managing Director Representative Director	Hajime Nakajima	Group Production and Logistics Strategy, Group R&D Strategy, and Quality Assurance and Environment Management	Outside Corporate Auditor	Kazuo Tezuka
Managing Director	Hiroshi Ogawa	Group Personnel & Administration Strategy and Legal and Internal Audit	Outside Corporate Auditor	Nobuyuki Oneda
Managing Director	Seiichi Hashimoto	Integrated Beverages Group Strategy and Group CSR Strategy	Outside Corporate Auditor	Kimie Iwata
Director	Masahito Suzuki	Group Financial Strategy and PR & IR Strategy		
Director	Keisuke Nishimura	Group Procurement Strategy		
Outside Director	Shigemitsu Miki			
Outside Director	Toshio Arima			

Promotion of internal control system

The Board of Directors has made resolutions concerning the main setups (comprising the system of internal control) to assure the propriety and rationality of operations. Kirin continues to develop these setups and to make improvements to the internal

control system as deemed necessary. Regular reports are made at meetings of the Board of Directors concerning progress and modifications made and issues addressed.

Promotion of risk management

The Kirin Group has been actively engaged in the promotion of risk management since 2003. The installation of risk management systems in all consolidated companies was completed in 2008, bringing to fruition a comprehensive risk management system for the entire Kirin Group. Kirin is also engaged in developing crisis response systems aimed at

minimizing the impact of crises on customers and businesses. Based on the Group Crisis Management Manual, the Group Risk Management Committee exchanges information with the risk management committees of operating companies and takes timely and appropriate action.

Promotion of compliance

The Kirin Group considers compliance the foundation of CSR activities. In Kirin's definition, it consists of not only conformance with all pertinent laws and regulations but also observance of internal and external regulations/rules and social norms, and

discharge of both legal responsibilities and the ethical ones sought by society. By assuring compliance, Kirin can prevent unforeseen losses and the collapse of credibility, and maintain and deepen trust placed in the organization by stakeholders.

Consolidated Eleven-Year Summary of Selected Financial Data

For supplementary information,
please see the Data Book.

DATA BOOK P.07-16

Kirin Holdings Company, Limited and Consolidated Subsidiaries
Years ended December 31,

Millions of yen

	2011	2010	2009	2008
For the year:				
Sales	¥ 2,071,774	¥ 2,177,802	¥ 2,278,473	¥ 2,303,569
Less liquor taxes	323,375	342,527	359,743	380,691
Net sales	1,748,398	1,835,274	1,918,730	1,922,877
Cost of sales	895,475	972,282	1,024,078	1,012,204
Gross profit	852,922	862,992	894,652	910,673
Selling, general and administrative expenses	710,058	711,380	766,216	764,696
Operating income	142,864	151,612	128,435	145,977
Income before income taxes and minority interests	84,918	80,327	92,613	165,735
Net income	7,407	11,394	49,172	80,182
EBITDA ¹	247,602	269,392	212,838	264,620
Cash flows from operating activities	196,792	218,025	189,907	131,281
Cash flows from investing activities	(361,658)	(140,917)	(321,654)	(169,330)
Cash flows from financing activities	193,214	(140,197)	174,208	26,684
Free cash flow	(164,866)	77,107	(131,746)	(38,049)
Cash and cash equivalents	70,847	45,278	118,797	68,457
Depreciation and amortization	142,763	139,987	127,501	118,324
Capital expenditure	(79,830)	(106,650)	(110,246)	(126,063)

At year-end:				
Total assets	¥ 2,854,254	¥ 2,649,197	¥ 2,861,194	¥ 2,619,623
Interest-bearing debt	1,144,786	859,376	963,209	723,703
Net interest-bearing debt	1,073,939	814,098	844,412	655,246
Shareholders' equity ²	852,922	962,476	981,322	927,812

Yen

Per share:				
Net income				
Primary	¥ 7.70	¥ 11.95	¥ 51.54	¥ 84.01
Diluted	7.14	11.93	—	—
Dividends	27.00	25.00	23.00	23.00
Net assets per share applicable to the year	886.86	1,000.51	1,029.35	972.19

Value indicators:				
Liquidity ratios:				
Debt/equity ratio (times) ³	1.25	0.81	0.91	0.72
Interest coverage ratio (times) ⁴	9.5	9.9	9.4	5.6
Investment indicators:				
Price/earnings ratio (times) ⁵	121.5	95.3	28.9	14.0
Price/book value ratio (times) ⁶	1.1	1.1	1.5	1.2
Dividends payout ratio (%)	350.6	209.2	44.6	27.4
Return indicators:				
Return on assets (%) ⁷	0.3	0.4	1.8	3.2
Return on equity (%) ⁸	6.9	8.8	5.2	8.1
Turnover ratios:				
Asset turnover (times) ⁹	0.75	0.79	0.83	0.91
Inventory turnover (times) ¹⁰	10.9	11.3	10.9	12.5

- Notes 1. After 2008: EBITDA = Operating income + Equity in earnings or losses of affiliates + Depreciation + Amortization of goodwill + Special income and expenses.
(Note: Loss on impairment regarding goodwill, etc. are excluded)
Before 2007: EBITDA = Income before income taxes and minority interests - Interest income - Dividend income + Interest expense + Depreciation + Amortization of goodwill
2. Shareholders' equity = Total net assets - Minority interests - Subscription rights to shares (as recorded on the balance sheet)
3. Debt = Short-term loans + Long-term debt with current maturities + Commercial papers + Bonds + Long-term debt
4. After 2008: Interest coverage ratio = Net cash provided by operating activities / Interest paid
Before 2007: Interest coverage ratio = (Operating income + Interest + dividend income) / Interest expense

Millions of yen

	2007	2006	2005	2004	2003	2002	2001
	¥ 1,801,164	¥ 1,665,946	¥ 1,632,249	¥ 1,654,886	¥ 1,597,509	¥ 1,583,248	¥ 1,561,879
	400,555	402,321	397,527	430,957	431,749	445,935	461,265
	1,400,608	1,263,625	1,234,721	1,223,929	1,165,760	1,137,313	1,100,614
	678,058	585,531	576,393	577,092	555,223	554,264	538,642
	722,550	678,093	658,328	646,836	610,536	583,048	561,972
	601,942	561,735	546,619	537,444	508,981	493,259	486,907
	120,608	116,358	111,708	109,392	101,555	89,789	75,065
	128,413	111,560	109,001	110,018	78,147	74,517	57,134
	66,713	53,512	51,263	49,099	32,395	32,540	23,122
	213,129	191,161	188,459	193,507	165,412	157,742	139,233
	114,585	123,685	104,716	127,963	118,430	87,750	71,144
	(269,621)	(153,239)	(66,693)	(44,252)	(62,867)	(175,377)	(12,108)
	121,555	(50,012)	(52,041)	(35,901)	(30,018)	50,699	20,865
	(155,036)	(29,554)	38,023	83,711	55,563	(87,627)	59,036
	52,307	86,588	164,800	177,257	129,978	105,625	144,331
	79,361	76,472	74,509	77,358	81,196	78,240	76,463
	(66,873)	(59,953)	(62,960)	(69,020)	(59,757)	(85,492)	(71,449)

	¥ 2,469,667	¥ 1,963,586	¥ 1,937,866	¥ 1,823,790	¥ 1,787,867	¥ 1,744,131	¥ 1,661,652
	673,872	302,762	309,976	325,594	343,964	355,273	266,332
	621,565	216,174	145,176	148,337	213,986	249,648	122,001
	1,054,811	993,989	972,601	858,615	803,882	769,227	782,902

Yen

	¥ 69.86	¥ 55.98	¥ 53.23	¥ 50.58	¥ 33.27	¥ 33.26	¥ 23.49
	—	—	—	—	—	—	23.48
	21.00	17.00	14.50	13.50	12.00	12.00	12.00
	1,104.83	1,040.44	1,016.74	888.65	831.84	795.71	795.25
	0.58	0.24	0.26	0.31	0.35	0.37	0.24
	10.1	12.6	12.6	11.1	10.7	10.4	8.1
	23.5	33.4	25.8	20.0	27.4	22.7	39.9
	1.5	1.8	1.4	1.1	1.1	0.9	1.2
	30.1	30.4	27.2	26.7	35.8	36.2	51.1
	3.0	2.7	2.7	2.7	1.8	1.9	1.4
	6.5	5.4	5.6	5.9	4.1	4.2	3.0
	0.81	0.85	0.87	0.92	0.91	0.93	0.95
	13.4	15.6	18.4	19.2	18.5	21.2	24.3

5. PER = Year-end share price/Net income per share

6. PBR = Year-end share price/Net assets per share

7. ROA = Net income/Average total assets

8. ROE = Net income/Average shareholders' equity. From 2010, ROE is calculated prior to amortization of goodwill.

Figures exclude losses with no effect on cash outflow.

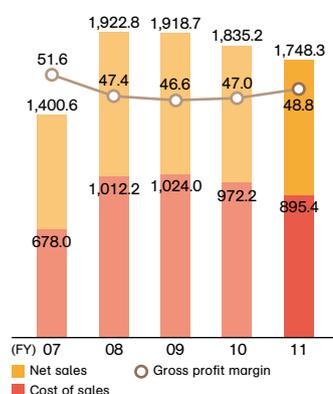
9. Asset turnover = Sales/Average total assets

10. Inventory turnover = Sales/Average inventories

Management's Discussion and Analysis

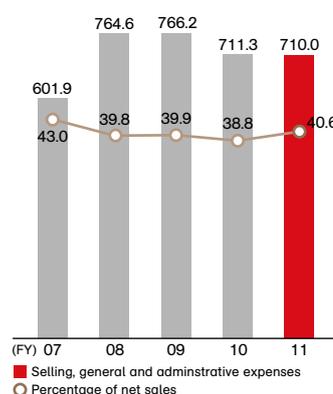
Net Sales, Cost of Sales (Billions of yen)

Gross Profit Margin (%)



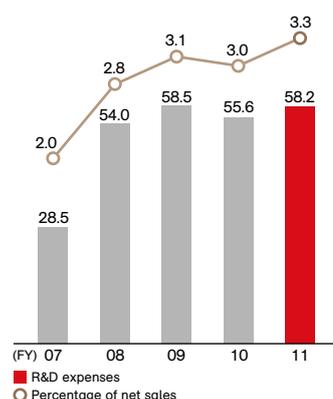
Selling, General and Administrative Expenses (Billions of yen)

Percentage of Net Sales (%)



R&D Expenses (Billions of yen)

Percentage of Net Sales (%)



Note: Unless otherwise stated, all comparisons are with the previous fiscal year (FY2010). Under the holding company structure adopted in July 2007, consolidated financial disclosures by Kirin Holdings Company, Limited ("the Company") relate to the worldwide operations of the group of companies operating under this umbrella ("the Kirin Group," or "the Group") and are in accordance with Japanese GAAP. As of December 31, 2011, the Group comprised 263 consolidated subsidiaries, 18 equity-method affiliates and one unconsolidated subsidiary accounted for by the equity method.

Operating performance

Business environment overview

The economy in Japan throughout the fiscal year under review experienced overwhelming damage from the Great East Japan Earthquake aftermath. However, constraints on the supply side caused by the Earthquake were being resolved, and consumer spending remained steady toward the end of the year. On the other hand, the recovery of the overall economy has been sluggish due to deceleration of the overseas economy and the strong yen.

Consolidated sales and gross profit

Consolidated sales (including liquor taxes) dropped by 4.9% to ¥2,071.7 billion, due to the domestic alcohol beverages business being largely affected by the Earthquake, as well as the continued harsh business climate surrounding the overseas beverages business. On a liquor tax-exclusive basis, consolidated net sales declined by 4.7% to ¥1,748.3 billion.

Cost of sales (excluding liquor taxes) decreased by 7.9% to ¥895.4 billion. The ratio of decrease in cost of sales outweighed that in net sales, aided by a Group-wide endeavor and success in enhancing profitability and efficiency. As a result, gross profit marked only 1.2% down to ¥852.9 billion, and gross profit margin (excluding liquor taxes) rose 1.8 percentage points from 47.0% to 48.8%.

SG&A expenses and operating income

Selling, general and administrative (SG&A) expenses slightly decreased by 0.2% to ¥710.0 billion. Due to only a slight fall in SG&A expenses, the ratio of SG&A expenses to net sales (excluding liquor taxes) increased by 1.8 percentage points from 38.8% to 40.6%.

Among SG&A expense, consolidated R&D expenses amounted to ¥58.2 billion, 4.7% up on the previous fiscal year, accounting for 3.3% of consolidated net sales (excluding liquor taxes). R&D expenses (excluding intercompany transactions) for Kyowa Hakko Kirin Co., Ltd. ("Kyowa Hakko Kirin"), the leading company of the Group's Pharmaceuticals and Bio-chemicals business segment, was ¥47.9 billion, which accounted for 82.3% of total consolidated R&D expenses and 14.4% of segment sales.

Consolidated operating income (after amortization of goodwill) decreased by 5.8% to ¥142.8 billion. This decrease is attributable to the large impact the Great East Japan Earthquake had on the domestic alcohol beverages business, along with the continuing tough business climate experienced in Australia. As a result, the operating income ratio (excluding the effect of liquor taxes, after amortization of goodwill) slightly dropped by 0.1 percentage point from 8.3% to 8.2%.

Non-operating income and expenses

Interest and dividend income soared to ¥8.6 billion, 78.5% up on the previous fiscal year, while interest expenses decreased by 5.1% to ¥20.9 billion. Net non-operating loss improved from ¥10.6 billion in the previous fiscal year and resulted in ¥6.0 billion. With the operating income added, ordinary income amounted to ¥136.8 billion, a decrease of 2.9%.

Special income and expenses

Major items included in special income were a ¥21.3 billion gain on sale of fixed assets and a ¥15.3 billion gain on sale of shares of subsidiaries and affiliates. Special expenses, on the other hand, included a ¥16.8 billion loss on impairment and a ¥24.1 billion loss on devaluation of investment securities. The Group also recorded a ¥19.8 billion loss related to the Great East Japan Earthquake. Overall, special income and expenses resulted in a net loss of ¥51.8 billion, improved from a net loss of ¥60.6 billion in the previous fiscal year.

Pre-tax and net income

Due to the smaller net loss from special income and expenses, consolidated income before income taxes and minority interests rose by 5.7% to ¥84.9 billion. However, an increase in income tax outweighed this, caused by a 6.6% rise to ¥61.6 billion, marking a 0.6 percentage point rise in the effective tax rate to 72.6%. Minority interests also increased by 42.6% to ¥15.8 billion.

As a result, consolidated net income for the fiscal year under review dropped by 35.0% to ¥7.4 billion. Net income per share as well declined from ¥11.95 to ¥7.70. Kirin Group's return on equity* prior to amortization of goodwill in FY2011 was 6.9%.

* The definition of return on equity is shown in the notes of the "Consolidated Eleven-Year Summary of Selected Financial Data."

Performance by business segment

Domestic alcohol beverages

Net sales of the segment dropped by 7.1% to ¥545.1 billion. Mainly in Kirin Brewery Company, Limited, the leading company of the segment, a downward effect was observed in sales volumes caused by a decline in consumer sentiment and constraints in manufacturing and supply systems following the Great East Japan Earthquake. Meanwhile, despite these circumstances, Kirin reduced its costs in sales promotion and raw materials. Such endeavors eased the decline in operating income; 3.6% down to ¥70.5 billion.

Domestic non-alcohol beverages

Net sales decreased by 9.5% to ¥314.5 billion, in part due to a decline in sales volume, and despite the continued efforts of Kirin Beverage Co., Ltd. to strengthen its product value and sales force. Nonetheless, reform endeavors of the profit structure increased operating income by 14.2% to ¥2.8 billion.

Overseas beverages

Net sales of the segment amounted to ¥454.2 billion, 12.4% up year on year, mainly due to the change in the accounting period of the non-alcohol beverage business of Lion Pty Ltd., which excluded the operating results of January to March, 2010 from the consolidated results of the previous fiscal year. Lion strived to improve profitability and efficiency of both alcohol and non-alcohol beverage businesses through marketing with its focus on enhancement of its brands. However, a combination of natural disasters together with uncertainty over the future led to reduced consumer confidence. As a result, operating income declined by 32.8% to ¥15.3 billion.

Pharmaceuticals and bio-chemicals

In the pharmaceutical business, sales remained strong for Kyowa Hakko Kirin's core product *NESP*, a treatment for nephrogenic anemia. The anti-allergic agent *ALLELOCK* and eye drop *Patanol* also increased their sales due to higher than usual amounts of airborne pollen. In the bio-chemicals business, on the other hand, Kyowa Hakko Bio Co., Ltd. increased its sales volume to meet high demand overseas, but largely affected by the appreciation of the yen, sales amounts were lower than the previous fiscal year. In addition, Kyowa Hakko Kirin transferred all of its shares in Kyowa Hakko Chemical Co., Ltd. in March 2011; thus included in the consolidated results of the fiscal year under review for the chemicals business was its operating results from January to March, 2011 only. As a result, net sales of the segment decreased by 17.8% to ¥332.8 billion, while operating income marked a 1.5% increase to ¥49.4 billion.

Others

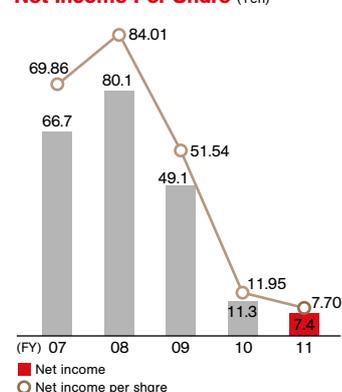
Kirin Kyowa Foods Company, Limited further reinforced its relationship after the disaster with customers and endeavored to supply products and services that meet customers' needs, and as a result, sales increased especially for processed foods manufacturers. Regarding overall results of the segment, net sales rose by 10.7% to ¥101.6 billion mainly due to reclassification of Koiwai Dairy Products Co., Ltd. from the domestic non-alcohol beverages segment to others, although operating income of the segment dropped by 22.8% to ¥6.2 billion.

Performance by geographic area

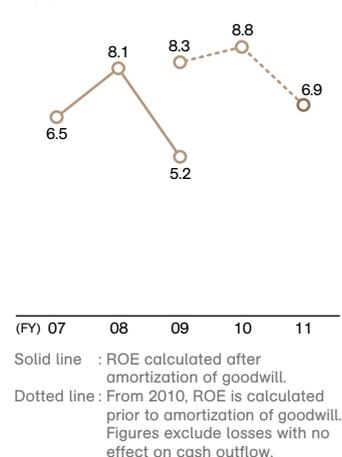
According to the Group's long-term business framework, Kirin Group Vision 2015 ("KV2015"), the ratio of total overseas sales to consolidated net sales (excluding liquor taxes) is expected to rise 30%, achieving growth overseas. In 2011, since (mainly) domestic alcohol and non-alcohol beverages business declined, the ratio of total overseas sales to consolidated net sales (excluding liquor taxes) rose 6 percentage points to 31%.

Net Income (Billions of yen)

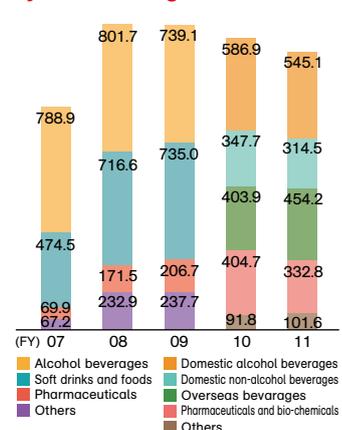
Net Income Per Share (Yen)



ROE

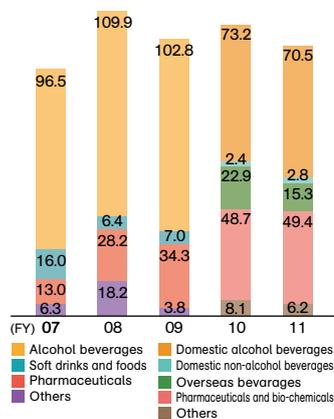


Net sales by Business Segment (Billions of yen)



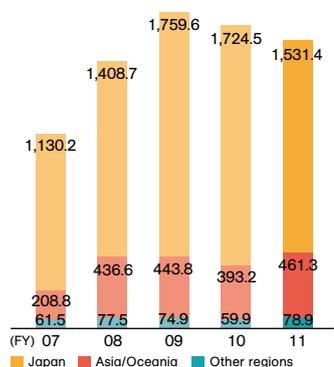
Note: New business segments were created in 2011. For convenience, figures for 2010 were restated to reflect 2011 business segment allocations.

Operating Income by Business Segment (Billions of yen)



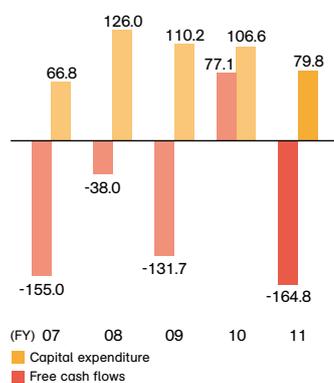
Notes: New business segments were created in 2011. For convenience, figures for 2010 were restated to reflect 2011 business segment allocations. Prior to elimination or corporate.

Sales by Geographic Segment (Billions of yen)



Note: The figures are including liquor taxes.

Free Cash Flows Capital Expenditure (Billions of yen)



Note: Free cash flows = Net cash provided by operating activities - Net cash used in investing activities

Japan

Sales (including liquor taxes) in Japan (excluding inter-segment transactions) resulted in an 8.2% year-on-year drop to ¥1,531.4 billion. The Great East Japan Earthquake slowed down consumption, and moreover, constrained production, as a result, unit sales decreased.

Asia and Oceania

Sales (including liquor taxes) in Asia and Oceania (mainly East Asia outside Japan, Southeast Asia and Oceania) increased by 8.4% to ¥461.3 billion, mainly due to a change in the accounting period of the non-alcohol beverage business of Lion Pty Ltd., which excluded the 2010 operating results of January to March from the consolidated results of the previous fiscal year.

Other regions

Sales (including liquor taxes) in other regions (primarily the United States and Europe) decreased by 6.0% to ¥78.9 billion.

Financial position

Assets

Total assets as of December 31, 2011 amounted to ¥2,854.2 billion, an increase of ¥205.0 billion, or 7.7%, compared to the previous fiscal year-end. Current assets increased ¥30.9 billion to ¥758.0 billion, mainly due to an increase in cash. Non-current assets also increased ¥174.0 billion to ¥2,096.1 billion, mainly from a ¥24.5 billion increase in property, plant and equipment, a ¥157.9 billion increase in intangible assets due to the goodwill generated by acquiring 100% ownership of the Schincariol, and an ¥8.4 billion decrease in investments and other assets.

Liabilities

Total liabilities as of December 31, 2011 stood at ¥1,806.3 billion, a year-on-year increase of ¥316.1 billion, or 21.2%. Current liabilities increased by ¥35.7 billion to ¥715.4 billion mainly due to the issuance of commercial papers. Non-current liabilities increased by ¥280.4 billion to ¥1,090.9 billion, in part due to the borrowing of long-term debt and the issuance of corporate bonds for acquisition of the Schincariol shares.

As the increase in current liabilities exceeded that of current assets, working capital as of December 31, 2011 amounted to ¥42.6 billion, a ¥4.7 billion or 10.0% decrease. The current ratio also dropped 1.0 percentage point to 106.0%.

Net assets

Net assets as of December 31, 2011 amounted to ¥1,047.8 billion, down by ¥111.1 billion, or 9.6% compared to the previous fiscal year-end. This decrease was mainly due to a ¥94.0 billion decrease in foreign currency translation adjustments.

Cash flows

The balance of consolidated cash and cash equivalents as of December 31, 2011 rose by ¥25.5 billion from the previous fiscal year-end, amounting to ¥70.8 billion.

Cash flows from operating activities

Net cash provided by operating activities was ¥196.7 billion, a decrease of ¥21.2 billion compared to the previous fiscal year. Major cash inflow came mainly from an ¥18.9 billion increase in adjustment for employee's pensions and retirement benefits, a ¥22.5 billion increase in loss on devaluation of investment securities, and a ¥19.9 billion increase in adjustment for deposits received. However, cash outflow included such expenses as a ¥32.7 billion increase in income taxes paid, and a ¥25.9 billion decrease in loss on impairment. In addition, inflows from working capital due to changes in trade notes and accounts receivable, inventories, trade notes and accounts payable and liquor taxes payable decreased by ¥21.4 billion.

Cash flows from investing activities

Net cash used in investing activities increased by ¥220.7 billion to ¥361.6 billion from the previous fiscal year. Major cash outflows were a ¥79.8 billion payment for purchases of property, plant and equipment and intangible assets, a ¥44.3 billion payment for purchases

of marketable securities and investment securities, and a ¥344.3 billion payment for acquisition of shares of newly consolidated subsidiaries.

On the other hand, major cash inflows were ¥12.8 billion in proceeds from the sale and redemption of marketable securities and investment securities, and ¥70.4 billion in proceeds from sale of shares of subsidiaries excluded from the scope of consolidation.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥193.2 billion, reversing ¥140.1 billion net cash used in the previous fiscal year. While there were cash-decreasing factors such as ¥31.0 billion in cash dividends paid and a ¥12.5 billion payment for acquisition of treasury stock by a consolidated subsidiary, the balance of cash and cash equivalent increased mainly due to a ¥62.5 billion net increase in loans and debts, a ¥110.9 billion increase in commercial papers, and ¥70.0 billion in proceeds from issuance of bonds.

Capital expenditure

Kirin aims to hold capital expenditure within 80% of depreciation expense. Capital expenditure during FY2011 decreased by ¥26.8 billion to ¥79.8 billion.

Despite the decrease in capital expenditure, the balance of free cash flow during FY2011, which is defined as net cash provided by operating activities minus net cash used in investing activities, resulted in a negative ¥164.8 billion compared with a positive ¥77.1 billion in the previous fiscal year. This decrease was mainly due to purchases of shares of subsidiaries. EBITDA also declined by ¥21.7 billion to ¥247.6 billion.

Dividends

Comprising interim and year-end dividends of ¥13.5 per share, annual dividends for FY2011 totaled ¥27.0 per share, an increase of ¥2.0 per share from the previous fiscal year.

The Company views the appropriate distribution of profits to shareholders as a key management issue, and has distributed dividends to shareholders in every fiscal period since its foundation in 1907. The management believes that shareholders' needs can be met by providing stable, continuous dividends based in each period on a comprehensive assessment of business performance, the target payout ratio taking real earnings into account, and future capital requirements. Retained earnings will be allocated to business and capital expenditures that contribute to enhancing future corporate value, principally in the domestic alcohol beverages, domestic non-alcohol beverages, overseas beverages, and pharmaceuticals and bio-chemicals businesses. The Company will consider opportunities to acquire treasury stock as appropriate, based on the maintenance of medium- to long-term credit standing and on progress in qualitative expansion for growth.

Business and other risk factors

Outlined below are the major risks faced by Kirin Group 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 do not necessarily have a significant impact, with the aim of promoting active disclosure of information to investors. Based on an awareness and understanding of the various risks concerning its business, Kirin Group makes its best effort to enhance its risk management system, prevent and reduce risks, and to respond appropriately in the case that any such risks become apparent. The future risk items outlined below are those identified by the Company as of December 31, 2011.

Weather and natural disasters

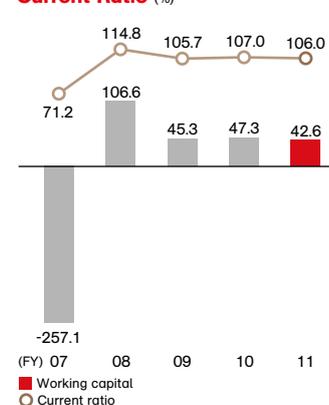
Kirin Group's business operations are subject to the influence of weather. Examples of weather risks include unusually cold summers, drought and typhoons, along with the impact of global warming and other such factors. Furthermore, earthquakes and other natural disasters, outbreaks of diseases such as new strains of influenza, and accidents on a large scale could damage facilities. As a result, the Group's business activities could be limited or hindered, adversely affecting its business performance and financial position.

Revision of laws and regulations

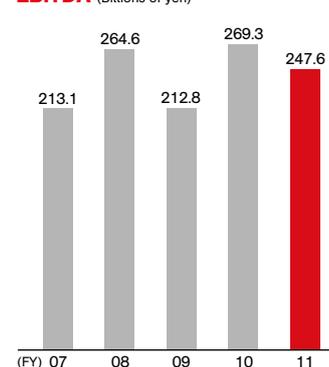
Kirin Group's business operations are subject in Japan to a number of laws and regulations, including those relating to liquor taxes, food sanitation, pharmaceuticals and fair trading. The Group is also subject to local laws and regulations in each of the other countries in which it

Working Capital (Billions of yen)

Current Ratio (%)



EBITDA (Billions of yen)



Note: After 2008: EBITDA = Operating income + equity in earnings or losses of affiliates + depreciation + amortization of goodwill + special income and expenses.

(Note: loss on impairment regarding goodwill, etc. are excluded)

Before 2007: EBITDA = Income before income taxes and minority interests - Interest income - Dividend income + Interest expense + Depreciation and amortization + Amortization of goodwill

operates. An example of risks is the potential for alcohol consumption to decline if revisions to liquor taxes laws result in higher consumer prices. In the pharmaceutical business, examples of risks include the potential for changes to the Pharmaceutical Affairs Law or related regulations and ordinances that impact or delay the development of new products. Unforeseen revisions to laws could result in the curtailment of Group activities, adversely impacting business performance and the financial position of the Group.

Strengthening of regulations

Kirin Group's business operations are undertaken in accordance with various laws and regulations. For example, advertising and publicity is conducted in accordance with strict voluntary industry standards in order for Kirin Group to meet social responsibilities as a manufacturer and vendor of alcohol products. However, international standards with respect to the sale of alcohol products are under consideration by the World Health Organization, and Kirin Group faces the risk that consumption of alcohol beverages could decline if regulations were implemented that were significantly stricter than anticipated.

Increase in the price of crude oil and other raw materials

Important raw materials used by Kirin Group, such as crude oil, aluminum, malt, corn and fresh dairy products in Australia, are subject to fluctuations in price depending on market conditions. Increases in the cost of these raw materials may lead to higher procurement and manufacturing costs, adversely impacting the Group's business performance and financial position.

Fluctuations in foreign currency exchange rates and interest rates

Kirin Group, in procuring raw materials and undertaking the expansion of overseas businesses, may be affected by sudden and unforeseen fluctuations in foreign currency exchange rates, along with fluctuations in interest rates relating to funding domestic and overseas procurement. In such cases, these fluctuations could adversely impact business performance and the financial position of the Group.

Impact on asset values from equity market movements and other changes

The value of marketable securities and other such assets held by the Group are subject to changes in market prices, and a decrease in market values could have an adverse impact on the Group's business performance and financial position.

Changes in the business environment

Kirin Group's business operations are significantly influenced by economic conditions and related trends in personal consumption. Simultaneous worldwide falls in consumption and demand could have an adverse impact on the Group's business performance and financial position were they to occur. In addition, Kirin Group faces the risk that Japan's declining birth rate and aging population profile would result in overall market decline in Japan.

Litigation risk

Kirin Group's business operations incorporate a range of measures to reduce the likelihood of employees acting in contravention of laws and regulations. These measures include engaging in a risk management cycle and promoting compliance via employee training seminars. However, in the course of the Group's operations in Japan and overseas, there is a possibility that litigation could be brought against the Group or its employees for real or supposed infringements of product liability, intellectual property or other laws. In such cases, either directly as a result of legal proceedings or as the result of the loss of trust from customers resulting from such proceedings, legal proceedings could have an adverse impact on the Group's business performance and financial position.

Business and capital alliances

In line with Kirin Group's medium- and long-term management strategy, the Group is actively promoting the development of business and capital alliances with other companies in Japan and overseas, as part of its measures to improve the Group's competitive position and achieve growth. In undertaking this approach, however, the Group faces the risk that, due to changing economic and other circumstances in Japan and elsewhere, it may not be able to exercise sufficient control over the management,

operations or assets of business alliance partners, and that the Group could be affected by circumstances at allied companies. Any such cases could have an adverse impact on the Group's business performance and financial position.

Government, economic and social unrest

Kirin Group recognizes that there is a risk to business continuity in the event that any of the following situations occur, either in Japan or particularly overseas, and their effects exceed what has been predicted by the Group.

- The emergence of unforeseeable economic, political or social developments
- Social or economic turmoil resulting from the outbreak of war, or terrorist activities

Food safety and quality

Kirin Group is engaged in continuous efforts to monitor and improve quality throughout the Group in order to offer customers 'safety in food,' as part of which the Group has implemented an enhanced product quality assurance and management system that encompasses goods manufactured at the Group's own factories as well as those manufactured at or imported under agreements with other companies. In recent years, however, various issues have arisen in relation to food safety in the food and beverage industry sector, and if an unexpected problem were to arise in the Group, its business performance and financial position could be adversely affected.

Pharmaceutical product safety and quality

In Kirin Group's pharmaceutical business, strenuous efforts are made to ensure that pharmaceuticals manufactured at the Group's own facilities or procured from other companies meet stringent quality control standards and pass all appropriate tests. However, the risk remains that unforeseen problems of product defects could emerge which could go beyond the scope of quality assurance initiatives and lead to large-scale product recalls or product liability compensation. This could have a serious impact on the Group's reputation in society and result in its business performance and financial position being adversely affected. In addition, while pharmaceutical drugs undergo strict safety testing at the developmental stage and are screened by concerned authorities before reaching approval, it is not uncommon that new side effects are discovered as a result of having accumulated post-marketing usage data. The discovery of unanticipated side effects post-marketing could have negative consequences for the Group's business performance and financial position.

Environmental issues

Kirin Group currently complies with all laws regarding waste disposal and sanitation, and engages in comprehensive manifesto management. The Group also strictly complies with various environmental laws concerning the atmosphere, water quality, noise pollution, vibration, odor pollution, soil contamination and land subsidence. However, the 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, or lead to rising costs. This could negatively impact business performance and financial position of the Group.

Information management

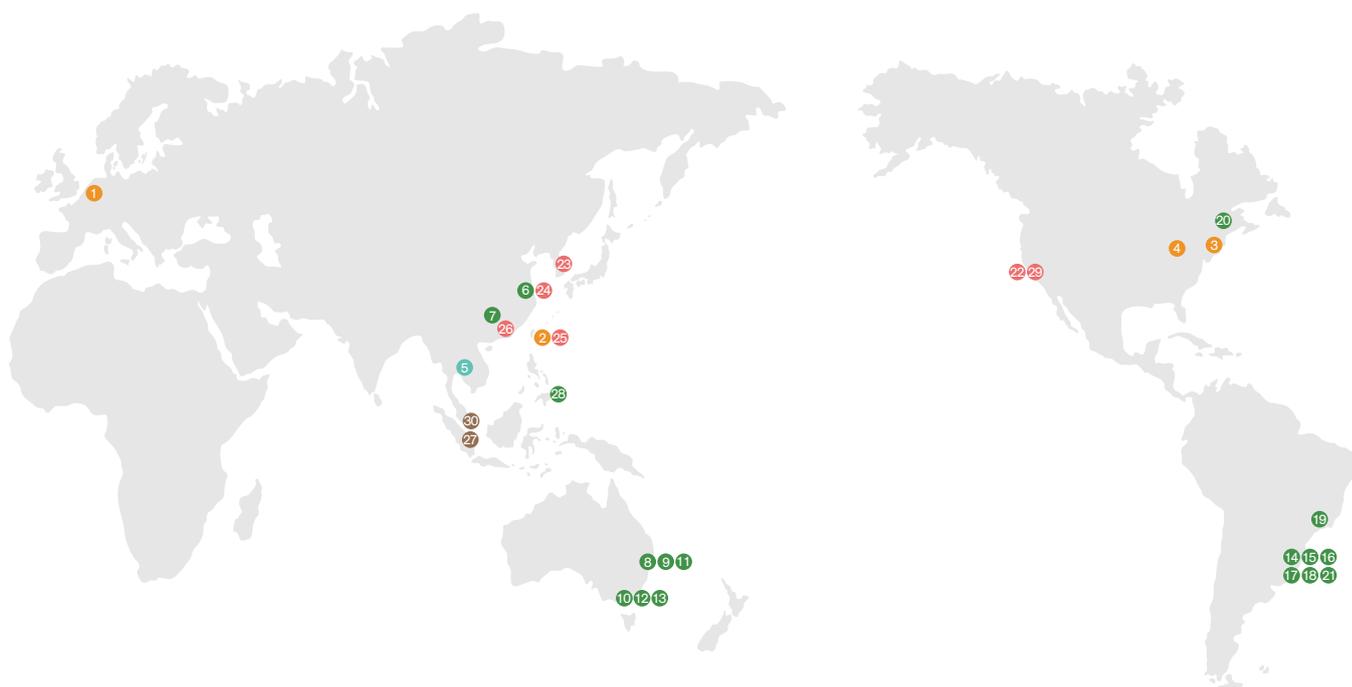
Kirin Group, in addition to important information relating to Group management, holds a range of other detailed information about companies and individuals. Kirin Group manages such information in accordance with applicable laws and regulations, and emphasizes the importance of correct information management through employee training programs and other such measures, as well as having systems-related security policies and structures in place. However, the risk remains that computer viruses, unauthorized access or other occurrences could cause loss, leakage, or alteration of information, or that systems could be improperly used or become temporarily unserviceable. Any such problems could have an adverse impact on the Group's management, business performance and financial position, due to these problems or the resulting loss of trust from business partners and other stakeholders.

Kirin Group Companies (As of December 31, 2011)

Kirin Group includes 263 consolidated subsidiaries, one unconsolidated subsidiary and 18 affiliates accounted for by the equity method.

Key Group companies in Japan and overseas include the following:

Company Name	Location	Business Segment	Paid-in Capital (* million unless stated)	Percentage of Holding	Details of Relationship
Consolidated Subsidiaries					
Kirin Brewery Co., Limited	Tokyo, Japan	Domestic Alcohol Beverages	30,000	100.0	Capital loan, equipment leasing and concurrent director, etc.
Kirin Merchandising Co., Ltd. ¹	Tokyo, Japan	Domestic Alcohol Beverages	10	100.0	Equipment leasing and concurrent director, etc.
Kirin & Communications Co., Ltd.	Tokyo, Japan	Domestic Alcohol Beverages	50	100.0	Equipment leasing and concurrent director, etc.
① Kirin Europe GmbH	Dusseldorf, Germany	Domestic Alcohol Beverages	EUR 76K	100.0	Concurrent director, etc.
② Taiwan Kirin Co., Ltd.	Taipei, Taiwan	Domestic Alcohol Beverages	TW\$64,000K	100.0	Concurrent director, etc.
③ KIRIN BEER & SPIRITS OF AMERICA, INC. ²	Delaware, U.S.A.	Domestic Alcohol Beverages	US\$50	100.0	Concurrent director, etc.
④ Four Roses Distillery LLC	Kentucky, U.S.A.	Domestic Alcohol Beverages	US\$60,000K	100.0	Capital loan and concurrent director, etc.
Ei Sho Gen Co., Ltd.	Tokyo, Japan	Domestic Alcohol Beverages	90	99.9	Equipment leasing and concurrent director, etc.
Kirin Distillery Co., Ltd.	Shizuoka, Japan	Domestic Alcohol Beverages	10	100.0	Concurrent director, etc.
Mercian Corporation	Tokyo, Japan	Domestic Alcohol Beverages	20,972	100.0	Equipment leasing and concurrent director, etc.
Kirin City Co., Ltd.	Tokyo, Japan	Domestic Alcohol Beverages	100	100.0	Capital loan, equipment leasing and concurrent director, etc.
Kirin Logistics Co., Ltd.	Tokyo, Japan	Domestic Alcohol Beverages	504	100.0	Equipment leasing and concurrent director, etc.
Kirin Engineering Co., Ltd.	Kanagawa, Japan	Domestic Alcohol Beverages	1,000	100.0	Concurrent director, etc.
Kirin Techno-System Corporation	Kanagawa, Japan	Domestic Alcohol Beverages	1,590	100.0	Capital loan, equipment leasing and concurrent director, etc.
Kirin Beverage Co., Ltd.	Tokyo, Japan	Domestic Non-Alcohol Beverages	8,416	100.0	Equipment leasing and concurrent director, etc.
Hokkaido Kirin Beverage Co., Ltd.	Hokkaido, Japan	Domestic Non-Alcohol Beverages	80	100.0	Concurrent director, etc.
Vivax Co., Ltd.	Hiroshima, Japan	Domestic Non-Alcohol Beverages	490	100.0	Concurrent director, etc.
Tokyo Kirin Beverage Service Co., Ltd.	Tokyo, Japan	Domestic Non-Alcohol Beverages	10	100.0	Concurrent director, etc.
Kansai Kirin Beverage Service Co., Ltd.	Osaka, Japan	Domestic Non-Alcohol Beverages	10	100.0	—
Kirin MC Danone Waters Co., Ltd.	Tokyo, Japan	Domestic Non-Alcohol Beverages	1,500	51.0	Concurrent director, etc.
⑤ Siam Kirin Beverage Co., Ltd.	Bangkok, Thailand	Domestic Non-Alcohol Beverages	TB 168,000K	100.0	Concurrent director, etc.
⑥ Kirin (China) Investment Co., Ltd.	Shanghai, China	Overseas Beverages	US\$180,000K	100.0	Concurrent director, etc.
⑦ Kirin Brewery (Zhuhai) Co., Ltd.	Zhuhai, China	Overseas Beverages	US\$74,000K	100.0	Capital loan and concurrent director, etc.
⑧ LION PTY LTD ³	New South Wales, Australia	Overseas Beverages	AU\$7,230,940K	100.0	Capital loan and concurrent director, etc.
⑨ LION NATHAN PTY LIMITED ⁴	New South Wales, Australia	Overseas Beverages	AU\$536,100K	100.0	—
⑩ Lion-Dairy & Drinks Pty Ltd ⁵	Victoria, Australia	Overseas Beverages	AU\$552,390K	100.0	—
⑪ Kirin Foods Australia Holdings Pty Ltd	New South Wales, Australia	Overseas Beverages	AU\$500,000K	100.0	—
⑫ Berri Limited	Victoria, Australia	Overseas Beverages	AU\$186,518K	100.0	—
⑬ Dairy Farmers Limited	Victoria, Australia	Overseas Beverages	AU\$81,986K	100.0	—
⑭ Kirin Holdings Investimentos Brasil Participacoes S.A.	Sao Paulo, Brazil	Overseas Beverages	BRL 6,537,845K	100.0	—
⑮ Aleadri-Schinni Participacoes e Representacoes S.A.	Sao Paulo, Brazil	Overseas Beverages	BRL 570,242K	100.0	—
⑯ Jadangil Participacoes e Representacoes Ltda.	Sao Paulo, Brazil	Overseas Beverages	BRL 560,576K	100.0	—
⑰ Schincariol Participacoes e Representacoes S.A.	Sao Paulo, Brazil	Overseas Beverages	BRL 620,879K	100.0	—
⑱ Primo Schincariol Industria de Cervejas e Refrigerantes S.A.	Sao Paulo, Brazil	Overseas Beverages	BRL1,358,080K	100.0	—
⑲ Companhia de Bebidas Primo Schincariol	Rio de Janeiro, Brazil	Overseas Beverages	BRL 587,183K	100.0	—
⑳ The Coca-Cola Bottling Company of Northern New England, Inc.	New Hampshire, U.S.A.	Overseas Beverages	US\$930K	100.0	Concurrent director, etc.
㉑ INDÚSTRIA AGRÍCOLA TOZAN LTDA.	Sao Paulo, Brazil	Overseas Beverages	BRL 1,000	88.4	Concurrent director, etc.



Company Name	Location	Business Segment	Paid-in Capital (¥ million unless stated)	Percentage of Holding	Details of Relationship
Kyowa Hakko Kirin Co., Ltd.	Tokyo, Japan	Pharmaceuticals and Bio-chemicals	26,745	52.4	Equipment leasing and concurrent director, etc.
²² KYOWA HAKKO KIRIN CALIFORNIA, INC.	California, U.S.A.	Pharmaceuticals and Bio-chemicals	US\$100K	100.0	—
²³ JEIL-KIRIN PHARMACEUTICAL INC.	Seoul, Korea	Pharmaceuticals and Bio-chemicals	KRW 2.200M	90.0	—
²⁴ Kirin Kungpeng (China) Bio-Pharmaceutical Co., Ltd.	Shanghai, China	Pharmaceuticals and Bio-chemicals	US\$29,800K	100.0	—
²⁵ Kyowa Hakko Kirin (Taiwan) Co., Ltd.	Taipei, Taiwan, R.O.C.	Pharmaceuticals and Bio-chemicals	TW\$12,450K	100.0	—
²⁶ Kyowa Hakko Kirin (Hong Kong) Co., Ltd.	Hong Kong	Pharmaceuticals and Bio-chemicals	HK\$6,000K	100.0	—
Kirin Real Estate Co., Ltd.	Tokyo, Japan	Others	10	100.0	Equipment leasing and concurrent director, etc.
Kirin Business System Co., Ltd.	Tokyo, Japan	Others	50	100.0	Concurrent director, etc.
Koiwai Dairy Products Co., Ltd.	Tokyo, Japan	Others	100	99.9	Capital loan and concurrent director, etc.
Kirin Kyowa Foods Co., Ltd.	Tokyo, Japan	Others	3,000	100.0	Capital loan, equipment leasing and concurrent director, etc.
²⁷ PT KIRIN-MIWON FOODS	Jakarta, Indonesia	Others	US\$40,000K	75.0	Concurrent director, etc.
Kirin Well Foods Co., Ltd.	Tokyo, Japan	Others	10	100.0	Capital loan and concurrent director, etc.
Kamagura Kaihin Hotel Co., Ltd.	Kanagawa, Japan	Others	19	91.4	Concurrent director, etc.
Kirin Group Office Co., Ltd. ⁵	Tokyo, Japan	Others	90	100.0	Indirect business consignment, capital loan, equipment leasing and concurrent director, etc.
Yokohama Arena Co., Ltd.	Kanagawa, Japan	Others	4,999	58.8	Concurrent director, etc.
Yokohama Akarenga Inc.	Kanagawa, Japan	Others	2,090	71.8	Concurrent director, etc.
Kirin Echo Co., Ltd.	Tokyo, Japan	Others	408	100.0	Equipment leasing and concurrent director, etc.
<Another 209 companies>	—	—	—	—	—
Equity Method Non-consolidated Subsidiary					
Japan Synthetic Alcohol Co., Ltd.	Kanagawa, Japan	Domestic Alcohol Beverages	480	66.7	—
Equity Method Affiliates					
Heineken Kirin K.K.	Tokyo, Japan	Domestic Alcohol Beverages	200	49.0	Concurrent director, etc.
Kirin Tropicana, Inc.	Tokyo, Japan	Domestic Non-Alcohol Beverages	480	50.0	Concurrent director, etc.
²⁸ SAN MIGUEL BREWERY, INC.	Metro Manila, Philippines	Overseas Beverages	PHP 15,410M	48.4	Concurrent director, etc.
²⁹ KIRIN-AMGEN, INC	California, U.S.A.	Pharmaceuticals and Bio-chemicals	US\$10	50.0	—
Cosmo Foods Co., Ltd.	Tokyo, Japan	Others	52	34.1	Concurrent director, etc.
³⁰ Fraser and Neave Limited	Singapore	Others	S\$1,417,404K	15.0	Concurrent director, etc.
<Another 12 companies>	—	—	—	—	—

Notes 1. Kirin Merchandising Co., Ltd. was renamed Kirin Beer Marketing Co., Ltd. in January 2012.
2. In August 2011, KIRIN HOLDINGS AMERICA, INC. officially changed its name to KIRIN BEER & SPIRITS OF AMERICA INC.
3. In May 2011, Lion Nathan National Foods Pty Ltd. officially changed its name to LION PTY LTD.
4. In May 2011, LION NATHAN LTD. officially changed its name to LION NATHAN PTY LIMITED.
5. In May 2011, National Foods Limited officially changed its name to Lion-Dairy & Drinks Pty Ltd.
6. In January 2011, Kirin Business Expert Company officially changed its name to Kirin Group Office Co., Ltd.

Investor Information (As of December 31, 2011)

Kirin Holdings Company, Limited

Head Office

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Further Information

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Fax: +81-3-5540-3550
e-mail: ir@kirin.co.jp
URL: <http://www.kirinholdings.co.jp/english/ir>

Date of Incorporation

February 23, 1907
Note: On July 1, 2007, accompanying the shift to a pure holding company structure, Kirin Holdings Company, Limited changed its name from Kirin Brewery Company, Limited.

Paid-in Capital

¥102,045 million

Authorized Shares

1,732,026,000

Outstanding Shares

965,000,000

Number of Shareholders

140,598

Number of Employees

40,348 (consolidated)
251 (non-consolidated)

General Meeting of Shareholders

March 29, 2012

Stock Listings

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

Ticker Symbol Numbers

ODR: 2503
ADR: KNBWY

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11 Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan
Tel: +81-3-6701-5000

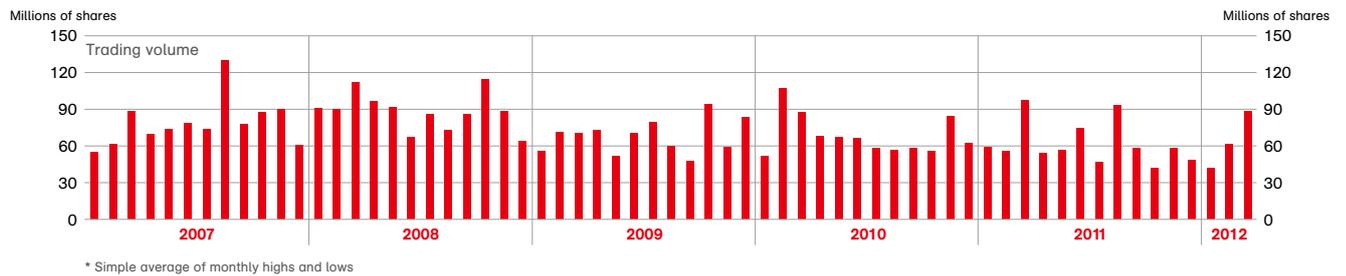
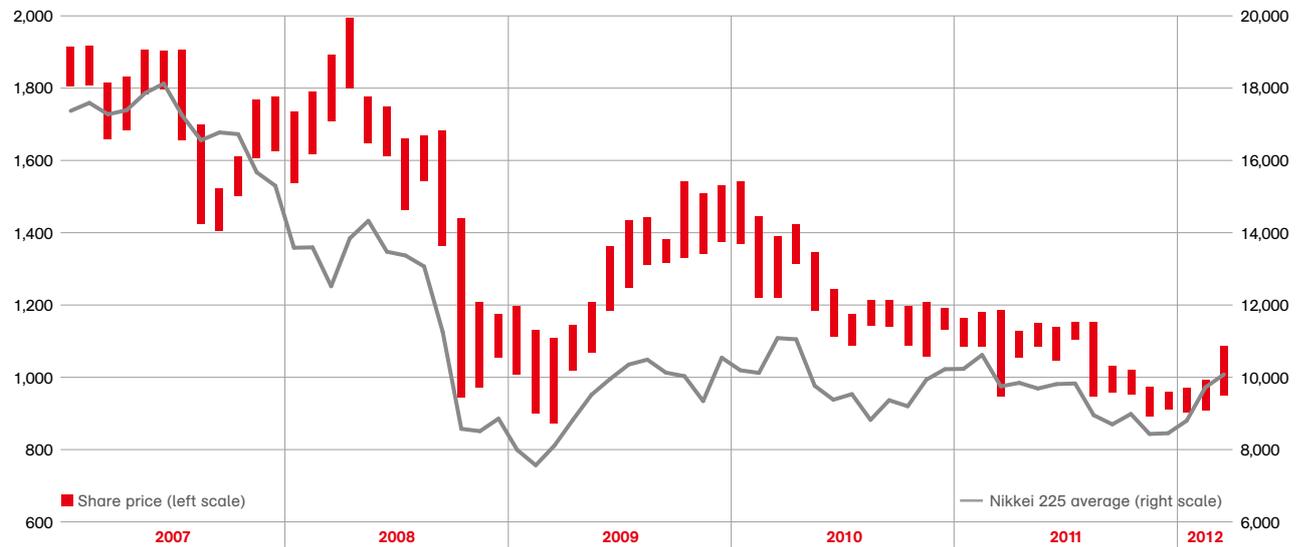
Depository

JPMorgan Chase Bank, N.A.
One Chase Manhattan Plaza, Floor 58
New York, New York 10005, USA
Tel: U.S.A 866-576-2377 (toll-free)
International: +1-866-576-2377

Major Shareholders

	Percentage of total shares outstanding
Japan Trustee Services Bank, Ltd. (Trust account)	5.04%
The Master Trust Bank of Japan, Ltd. (Trust account)	5.03
Meiji Yasuda Life Insurance Company	3.63
Isono Shokai, Limited	2.41
Japan Trustee Services Bank, Ltd. (Trust account 4)	2.00
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.99
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	1.97
State Street Bank and Trust Company 505041	1.52
The Melon Bank, N.A. Treaty Client Omnibus	1.51
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust for Mitsubishi UFJ Trust and Banking Corporation)	1.20

Monthly Share Price Range & Trade Volume Tokyo Stock Exchange



KIRIN

Please refer to the following URL for the financial statements and notes,
including the auditor's report, as well as for the data book.

 <http://www.kirinholdings.co.jp/english/ir/library/index.html>



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