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Stock Code 2503

March 7, 2011

To Our Shareholders:

Convocation Notice of the 172nd Ordinary General Meeting of Shareholders

Dear Shareholders:

Please be advised that the 172nd Ordinary General Meeting of Shareholders of the Company will be held as set forth below. You are cordially requested to attend the Meeting.

Yours very truly,

Senji Miyake
Representative Director and President

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

If you do not plan to attend the Meeting, you may exercise your voting rights in either of the following ways. Please review the accompanying “Reference Documents for the General Meeting of Shareholders” and exercise your voting rights by 5:30 p.m., March 28, 2011 (JST):

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

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

Details of the Meeting

1. Date and Time:

March 29, 2011, (Tuesday) at 10:00 a.m. (JST)

2. Place:

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

3. Agenda:

Matters to be reported:

- 1) Report on the business report, the consolidated financial statements and the results of the audit of the consolidated financial statements by the Independent Auditors and Board of Corporate Auditors for the 172nd business term (from January 1, 2010 to December 31, 2010).
- 2) Report on the financial statements for the 172nd business term (from January 1, 2010 to December 31, 2010).

Matters to be voted on:

- | | |
|--------------------|---|
| Proposition No. 1: | Dividend and disposition of surplus |
| Proposition No. 2: | Election of nine (9) Directors |
| Proposition No. 3: | Election of three (3) Corporate Auditors |
| Proposition No. 4: | Presentation of bonuses to corporate officers |

4. Exercise of Voting Rights

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

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

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

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

(Attached documents)

BUSINESS REPORT

(For the period from January 1 to December 31, 2010)

1. Overview of Kirin Group business activities

(1) Kirin Group developments and results of business activities

The global economy slowly recovered this consolidated fiscal year due in part to the economic stimulus measures taken in various countries. While the Japanese economy is also slowly improving as consumer spending rebounds, recovery efforts seem to be relaxing.

Amidst this economic environment, 2010 was also the first year of Kirin Group's 2010-2012 medium-term business plan, marking the second stage in realizing the aims of Kirin Group Vision 2015 ("KV2015"), Kirin's long-term business framework. In this year we steadily implemented a management policy firmly centered on *generating Group synergies* and *realizing lean management* to realize 'qualitative expansion.'

In the Japanese market, we pursued an integrated beverages group strategy primarily through Kirin Brewery Company, Limited and Kirin Beverage Company, Limited, while we also sought to accelerate growth in the pharmaceuticals business. Under the direction of functionally organized Cross Company Teams (CCTs) we worked to increase profitability and efficiency across the Group, and achieved results doing so.

Additionally, in a project to promote health and functional food business development through cross-Group collaboration, Kirin Brewery Co., Ltd., Kirin Beverage Co., Ltd., Koiwai Dairy Products Co., Ltd., and Kirin Kyowa Foods Company, Limited launched in April the first series of *KIRIN Plus-i brand* products, all of which use "regenerating amino acid ornithine*," an ingredient independently developed and manufactured by Kyowa Hakko Bio Co., Ltd. The companies achieved strong sales for these products, clearing their annual targets by a wide margin.

* We call ornithine a regenerating amino acid because in the body it turns back into ornithine after being used.

Overseas, we remained focused on pursuing an integrated beverages group strategy, centered on Asia and Oceania. In July we acquired 14.7% of the shares of Fraser and Neave, Limited, which owns the No.1 beverage businesses in Malaysia and Singapore, thereby gaining a strong foothold for business expansion in the rapidly growing Southeast Asian market.

Meanwhile, in a push to revise our business portfolio to further concentrate resources in the "food and health" area, in March we sold all our shares in Kirin Agribio Company, Limited and Kirin Agribio EC B.V., in September we sold the food product manufacturing

and wholesale business of Nagano Tomato Co., Ltd., and in October we decided to transfer the shares of Kyowa Hakko Chemical Co., Ltd., a consolidated subsidiary of Kyowa Hakko Kirin Co., Ltd.

As part of our effort to generate Group synergies as we work to reorganize structurally and to realize lean management by eliminating strain, waste, and irregularity, we decided to reorganize Kirin Business Expert Company, Limited, a shared services company handling back office functions, making it more efficient and more market competitive.

However, as it came to light that in past years Mercian Corp.'s fish feed business section had continuously engaged in misconducts, including inappropriate accounting practices and circular transactions, we adjusted accounts receivable and sales figures in accordance with the reports from internal and third-party committees. Given these adjustments, Kirin Holdings Co., Ltd. recorded 5.3 billion yen in prior year expenses as a loss from prior year adjustment of special expenses.

As for Mercian Corp., given the aforementioned development, we judged it necessary to enhance our management infrastructure and corporate governance and to strengthen relations aimed at generating synergies. Therefore in December, we acquired Mercian Corp. as a wholly owned subsidiary.

Additionally, Lion Nathan National Foods Pty Ltd conducted a full reappraisal of asset values across its group. The consequent revaluations reflected changes in brand values and the market environment, including increased input costs, which remain relatively high by historical standards in Australia. Based on those results, Kirin Holdings Co., Ltd. recorded an impairment loss against National Foods' brands and goodwill in special expenses of 38.8 billion yen.

Consequently, while sales in this consolidated fiscal year declined due primarily to a change of National Foods' accounting period, operating income rose as a result of cost-cutting by respective companies and across the Group as well as the recovering performance of Kyowa Hakko Kirin Group's chemicals business. On the other hand, ordinary income declined due to currency exchange loss, and net income declined considerably as a result of impairment loss related to National Foods' brands and goodwill at the time of its acquisition.

Consolidated sales	¥2,177.8 billion	(down 4.4% compared to the previous term)
Consolidated operating income	¥151.6 billion	(up 18.0% compared to the previous term)
Consolidated ordinary income	¥140.9 billion	(down 2.5% compared to the previous term)
Consolidated net income	¥11.3 billion	(down 76.8% compared to the previous term)

Alcohol Beverages Business Division

In the domestic alcoholic beverages market, we focused our efforts on three strategic priorities for products: strengthening core brands, improving our response to consumer health consciousness, and increasing overall demand.

Given the recent changes in the economy, *Kirin Nodogoshi Nama* maintained its dominating presence in the markedly growing market for new genre market. We also strove to increase demand even further by launching *Kirin Honkaku Karakuchi Mugi* as a response to the diversifying needs of consumers. Additionally, as we worked to further strengthen core brands, such as *Kirin Ichiban Shibori* in the beer market and the *Tanrei* series including *Tanrei Green Label* in the *happo-shu* market, maintained strong levels through the year.

In the non-alcohol beer-taste beverage market, we released *Kirin Yasumuhi-no Alc. 0.00%* in April as one of the first products in the Group-wide *KIRIN Plus-i* brand, supplementing *Kirin FREE*, which has continued to enjoy strong sales since its 2009 launch, to further stimulate the market.

In production, we closed down the Tochigi and Hokuriku plants and reorganized production operations among the nine plants remaining nationwide. Going forward, we will aim to realize a more efficient manufacturing system by utilizing these plants to their fullest.

In sales, we have decided to seek a more productive organization by establishing in 2012 a new company that merges the sales division of Kirin Brewery Co., Ltd. with Kirin Merchandising Company, Limited, the merchandising arm for Kirin Group products at mass retailers and restaurants, consolidating our sales infrastructure, and further strengthening our sales system to be more integrated with local communities.

At Mercian Corp., imported wines for the on-premise market in the middle to high class price brackets took a hit as consumers became more protective of their pocketbooks, while sales of table wines targeting the off-premise market were strong. We also actively ran promotions of rosé wines to meet the global rise in their popularity.

Additionally, in July we consolidated the raw alcohol businesses of Mercian Corp. and Kyowa Hakko Bio Co., Ltd. to form a joint venture company, Daiichi Alcohol Co., Ltd.

In the overseas alcoholic beverages business, Lion Nathan National Foods Pty Ltd continued to drive premiumization and innovation, such as in the low-carb segment, and its core Australian beer business delivered a solid business performance while Australian beer market slowed.

In China, where growth has been high but the competitive environment severe, we focused sales efforts in the Yangtze Delta, the Pearl River Delta, and the Three Northeast Provinces.

Consolidated sale from	
Alcohol Beverages Business	¥1,097.9 billion (up 0.0% compared to the previous term)
Consolidated operating income from	
Alcohol Beverages Business	¥114.0 billion (up 11.0% compared to the previous term)

Soft Drinks and Food Business Division

In the domestic soft drinks and food market, Kirin Beverage Co., Ltd. continued to channel its energy into creating strong brands and reforming the revenue structure.

With core brands *Kirin Gogo-no-Kocha* and *Kirin FIRE* we particularly endeavored to raise brand value through new propositions unfettered by their category limits.

For *Kirin Gogo-no-Kocha*, the No.1 brand in the black tea beverages market*, we released in February *Kirin Gogo-no-Kocha Espresso Tea* as a new option for short breaks at the workplace, and in June we released *Kirin Gogo-no-Kocha Plain Tea* as a new proposition to consumers in the unsweetened tea market, reinvigorating the black tea market. Also, thanks to strong sales of three core items re-launched in September—*Kirin Gogo-no-Kocha Straight Tea*, *Kirin Gogo-no-Kocha Lemon Tea*, and *Kirin Gogo-no-Kocha Milk Tea*—total annual sales for the *Kirin Gogo-no-Kocha* brand topped an unprecedented 44 million cases, driving growth in the black tea market.

*Research by Food Marketing Institute (2010 performance)

We also pushed to create new types of drinkers and settings for drinking *Kirin FIRE* through the launch of *Kirin FIRE SUGOUMA* in a PET bottle and *Kirin Fire Coffee Jelly*.

With regard to the revenue structure reform that has been ongoing since 2009, we strengthened our business infrastructure in an aim to build competitiveness and realize growth, steadily producing results in a challenging business environment.

Kirin Kyowa Foods Co., Ltd. took on a new organization with its consolidation with the industrial-use alcohol and fermented seasoning business of Mercian Corp. in July. We endeavored to offer products and services that meet customer needs as we pursued "value proposal" development and sales.

We also launched new products under the Group-wide brand *Kirin PLUS-i*: *Otona-no-Kirin Lemon* and *Ukon Double* from Kirin Beverage Co., Ltd., *Otona-no-Yoghurt* from Koiwai Dairy Products Co., Ltd., and *Cayu~na* from Kirin Kyowa Foods Co., Ltd. All of these products were highly acclaimed.

In the overseas soft drinks market, we engaged in restructuring our business infrastructure to increase profitability, in part by ramping up marketing activities for *Kirin Gogo-no-Kocha*, which Kirin Beverage Co., Ltd. re-launched to celebrate its 10th

anniversary of marketing in China.

In the soft drinks and foods division of Lion Nathan National Foods Pty Ltd, we continued to invest in core brands and make efforts to improve product mix through value adding strategies. Both the dairy and juice market environments remained very challenging, with relatively high input costs by historical standards and a very price competitive retail environment. Against this backdrop, National Foods steadily progressed its integration and optimization with Dairy Farmers Limited following its 100% acquisition in 2008 to generate synergies.

Consolidated sales from	
Soft Drinks and Foods Business	¥638.1 billion (down 13.2% compared to the previous term)
Consolidated operating income from	
Soft Drinks and Foods Business	¥11.1 billion (up 56.4% compared to the previous term)

Pharmaceuticals Business Division

At Kyowa Hakko Kirin Co., Ltd., influenced by the reduction of standard prices of medicine in April, sales of certain drugs remained strong, including core products NESP and ESPO for treating nephrogenic anemia, and REGPARA TABLETS for treating secondary hyperparathyroidism, a complication arising from blood dialysis.

Royalty income from transfer of pharmaceutical technologies was strong, supplementing an increase in one-time payments from licensing.

Additionally, new drug development proceeded smoothly, as we commenced in September a late phase II clinical trial of KW-0761, a humanized monoclonal antibody that uses proprietary antibody technologies.

Consolidated sales of	
Pharmaceuticals Business	¥210.1 billion (up 1.6% compared to the previous term)
Consolidated operating income of	
Pharmaceuticals Business	¥38.9 billion (up 13.4% compared to the previous term)

Other Businesses Divisions

In the biochemical business operated by Kyowa Hakko Bio Co., Ltd., intravenous amino acids and pharmaceutical raw materials grew in Japan and overseas. In healthcare products, regenerating amino acid orthinine, an ingredient used in functional products that are part of the *Kirin Plus-i* Kirin Health Project, and mail-order sales performed well.

In the chemicals business operated by Kyowa Hakko Chemical Co., Ltd., business performance improved considerably over the previous year as product demand rebounded alongside a recovering economy.

Consolidated sales of Other Businesses	¥231.5 billion (down 3.1% compared to the previous term)
Consolidated operating income of Other Businesses	¥8.6 billion (up 125.7% compared to the previous term)

(2) Future challenges for Kirin Group

Kirin Group kicked off 2011 as the second year in the 2010-2012 medium-term business plan, which marks the second stage in realizing the aims of Kirin Group Vision 2015 ("KV2015"), Kirin's long-term management vision.

In 2011 we will continue to advance measures aimed 'qualitative expansion' and deliver new value to meet the needs of customers in Japan and overseas. We will also start the process of developing autonomous growth and increasing profitability in the medium to long term by building new brand management structures centered on providing value that consumers need and strengthening our management structures on a global level, thereby raising the Group's enterprise value.

Basic management strategies

1. Increase Group enterprise value by realizing autonomous growth at operating companies
 - (1) Pursue an integrated beverages group strategy
 - (2) Promote internationalization
 - (3) Accelerate growth in pharmaceuticals business
 - (4) Develop the health food and functional food business
2. Generate growth through Group synergies
3. Realize lean management by eliminating strain, waste and irregularity
4. Strengthen Group management capabilities
5. Engage in CSR activities that enhance Kirin's coexistence with society

In the next consolidated fiscal year we will shift from existing segments broken down according business types to reporting segments based on management approach in order to comply with new financial accounting standards for segment information disclosure.

Based on these changes, the Kirin Holdings Group will, for the purposes of segment classification, view its operating companies as business management units and group them

based on consideration of their economic similarities. Our four new reporting segments will be: "Domestic Alcohol Beverages," consisting primarily of Kirin Brewery Co., Ltd.; "Domestic Non-Alcohol Beverages," consisting primarily of Kirin Beverage Co., Ltd.; "Overseas Beverages," consisting primarily of Lion Nathan National Foods Pty Ltd; and "Pharmaceuticals and Biochemicals," consisting primarily of Kyowa Hakko Kirin Co., Ltd.

Domestic Alcohol Beverages Business

- At Kirin Brewery Co., Ltd., we will select and focus on promising brands in the beer, *Happo-shu*, new genre, non-alcohol beer-taste beverage, and RTD* categories and actively create new categories to stimulate the alcohol beverages market.
*RTD: Ready to Drink.
- In our effort to further increase profitability and efficiency, we will raise our cost competitiveness, and thus our ability to respond to all sorts of environmental changes, by continuing our pursuit of cost reductions across product value chains.
- Overseas, we will strive to increase sales and exports of the Kirin beer brand by strengthening efforts to market *KIRIN ICHIBAN*—the first Japanese beer brand to be manufactured in Germany*—in continental Europe, and by newly test-marketing *Kirin FREE* in the U.S.
*According to a survey by Kirin Holdings Co., Ltd.
- At Mercian Corp., we will strive to increase profitability by concentrating management resources in its wine business, while also pushing to generate Group synergies through collaboration with Kirin Brewery Co., Ltd. and Kirin Merchandising Co., Ltd.

Domestic Non-alcohol Beverages Business

- At Kirin Beverage Co., Ltd., we will enhance activities centered on core brands such as *Kirin Gogo-no-Kocha* and *Kirin FIRE* and continue our effort to reform the revenue structure as we rebuild growth potential by leveraging product value and our sales force.

Overseas Beverages Business

- Lion Nathan National Foods Pty Ltd, the cornerstone of our integrated beverages group strategy in Asia and Oceania, is making progress in further improving profitability and efficiency through its brand focused business strategy.
- In the alcohol beverages business of Lion Nathan National Foods Pty Ltd, it continues to drive premiumization and innovation. In the soft drinks and foods business, it continues to strengthen its brand portfolio by focusing investment on its core 'Power Brands' and by generating synergies through its integration with the business of former Dairy Farmers Ltd., including through optimizing its manufacturing footprint.
- Kirin Beverage Co., Ltd. and Fraser and Neave, Ltd., the foundation for our new international integrated beverages group strategy, will promote collaboration in Southeast Asia and realize global synergies.

Pharmaceuticals and Biochemicals Business

- In the pharmaceuticals business operated by Kyowa Hakko Kirin Co., Ltd., as we anticipate expansion in the use of biosimilars and other generic pharmaceuticals in Japan, we will strive to maximize the value of core products for kidney diseases and other markets by expanding their indications. Meanwhile we will market a new set of products and strengthen our sales force to expand our market share. Additionally, overseas we will upgrade our sales force in the Asian region and aim to acquire sales locations in Europe and the U.S.
- In R&D, we will follow through with plans to carry out clinical trials for products we are developing in Japan and abroad in the priority areas of cancer, kidney, and immunity/allergy-related diseases.
- In the biochemicals business operated by Kyowa Hakko Bio Co., Ltd., in addition to expanding sales routes for high value-added amino acids, we will also seek further growth by strengthening our overseas marketing structures.

Other Businesses

- At Kirin Kyowa Foods Co., Ltd., we will promote a value proposal-style business for customers in Japan and overseas by continuing our effort to solidify and strengthen the development and sales structures for our core business in industrial-use seasonings and food ingredients for processed food makers.
- Additionally, we will further enhance activities for the Group-wide brand *Kirin Plus-i* in a project to promote the health and functional food business through collaboration between different Group companies.

CSR Initiatives

As a corporate group that provides new ways to enjoy food and health, we at Kirin consider CSR to be an important management issue within our Group. We are actively addressing social challenges through our business and promoting initiatives as a corporate citizen to help realize a sustainable society.

In *CSR through Business*, we are undertaking resource- and energy-saving initiatives to reduce our environmental footprint across product value chains, and developing and marketing eco-friendly products to our customers. We are also striving to become a low-carbon corporate group. As one social responsibility of a corporate group whose business is focused on manufacturing and selling alcoholic beverages, we have been active in the fight to eliminate drunk driving by offering *Kirin FREE*, a beer-taste beverage with 0.00% alcohol content, and by working to educate consumers on responsible drinking.

With regard to *CSR as a corporate citizen*, we have continued our support of Japan's national soccer team as part of our many sports promotion activities. We also contribute to society by conserving forests through the water-source protection project and supporting employee volunteer activities.

At the same time, we strive to increase the effectiveness of our compliance and risk management systems, an integral part of any CSR mission.

In response to the discovery of inappropriate trading at Mercian Corp., we established a separate third-party committee to assess what improvements we need to make across the Group, and reviewed its report at the board of directors meeting held on November 5, 2010. We take the content of the committee's report seriously and will continue in our effort to prevent repeated occurrences of misconduct. We will see to it that both existing domestic and foreign Group subsidiaries, including those publicly listed companies, and all those to be newly acquired as Group subsidiaries monitor and address risks to realize even greater transparency and integrity in our Group governance.

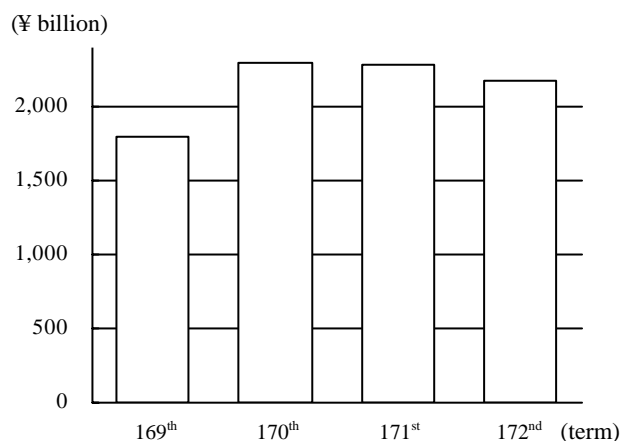
In the spirit of its Group slogan, “*Oishisa wo Egao ni*” (*Good taste makes you smile*), Kirin Group will seek to stand beside its customers, develop diverse bonds with them, and share the happiness of food and health.

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

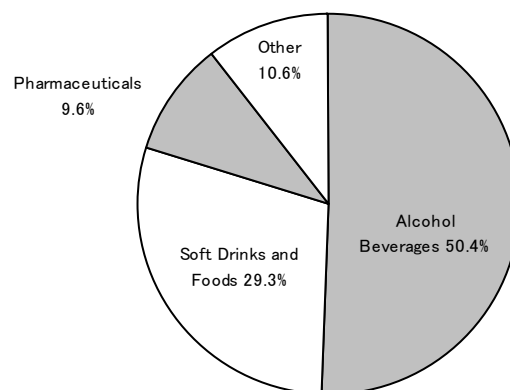
(3) State of assets and income of Kirin Group

Item	169 th term	170 th term	171 st term	172 nd term
	(Jan. 1, 2007 – Dec. 31, 2007)	(Jan. 1, 2008 – Dec. 31, 2008)	(Jan. 1, 2009 – Dec. 31, 2009)	(Jan. 1, 2010 – Dec. 31, 2010)
Sales	¥1,801,164 million	¥2,303,569 million	¥2,278,473 million	¥2,177,802 million
Operating income	¥120,608 million	¥145,977 million	¥128,435 million	¥151,612 million
Ordinary income	¥123,389 million	¥103,065 million	¥144,614 million	¥140,969 million
Net income	¥66,713 million	¥80,182 million	¥49,172 million	¥11,394 million
Net income per share	¥69.86	¥84.01	¥51.54	¥11.95
Net assets	¥1,099,555 million	¥1,149,998 million	¥1,198,869 million	¥1,159,036 million
Net assets per share	¥1,104.83	¥972.19	¥1,029.35	¥1,000.51
Total assets	¥2,469,667 million	¥2,619,623 million	¥2,861,194 million	¥2,649,197 million

Consolidated sales



Sales by business division



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

Sales

Business division	169 th term	170 th term	171 st term	172 nd term
	(Jan. 1, 2007 – Dec. 31, 2007)	(Jan. 1, 2008 – Dec. 31, 2008)	(Jan. 1, 2009 – Dec. 31, 2009)	(Jan. 1, 2010 – Dec. 31, 2010)
Alcohol Beverages Business	¥1,189,478 million	¥1,181,509 million	¥1,097,694 million	¥1,097,976 million
Soft Drinks and Foods Business	¥474,560 million	¥716,688 million	¥735,032 million	¥638,122 million
Pharmaceuticals Business	¥69,909 million	¥171,517 million	¥206,760 million	¥210,157 million
Other Businesses	¥67,216 million	¥233,853 million	¥238,986 million	¥231,547 million
Total	¥1,801,164 million	¥2,303,569 million	¥2,278,473 million	¥2,177,802 million

Operating income

Business division	169 th term	170 th term	171 st term	172 nd term
	(Jan. 1, 2007 – Dec. 31, 2007)	(Jan. 1, 2008 – Dec. 31, 2008)	(Jan. 1, 2009 – Dec. 31, 2009)	(Jan. 1, 2010 – Dec. 31, 2010)
Alcohol Beverages Business	¥96,563 million	¥109,989 million	¥102,800 million	¥114,061 million
Soft Drinks and Foods Business	¥16,030 million	¥6,431 million	¥7,099 million	¥11,105 million
Pharmaceuticals Business	¥13,001 million	¥28,200 million	¥34,334 million	¥38,945 million
Other Businesses	¥6,329 million	¥18,280 million	¥3,854 million	¥8,699 million
Subtotal	¥131,924 million	¥162,901 million	¥148,089 million	¥172,811 million
Elimination and unallocatable costs	(¥11,316) million	(¥16,924) million	(¥19,654) million	(¥21,199) million
Total	¥120,608 million	¥145,977 million	¥128,435 million	¥151,612 million

(Note) Sales of each business division indicate the sales to unaffiliated customers.

(4) Kirin Group plant and equipment investment

Consolidated plant and equipment investment for the term under review amounted to ¥106.6 billion on a payment basis.

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

1) Major facilities completed during the term under review

Business division	Company name	Details of the plant and equipment investment
Alcohol Beverages Business	Kirin Brewery Co., Ltd.	Shiga Plant – Partial demolition and construction of brewing facilities of beer and happo-shu, etc.
	Lion Nathan Ltd.	Auckland Plant – Construction of brewing facilities of beer, etc.

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

Business division	Company name	Details of the plant and equipment investment
Alcohol Beverages Business	Kirin Brewery Co., Ltd.	Yokohama Plant – Improvement of brewing facilities of beer and happo-shu, etc. and construction of offices, etc.

(5) Kirin Group financing

The aggregate amount of loans payable, including bonds, was ¥778.9 billion as of the end of the term under review.

There are no matters requiring special mention concerning major financing during the term under review.

[The information hereunder is as of December 31, 2010, unless noted otherwise.]

(6) Description of the main businesses of Kirin Group

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

Business division	Principal products
Alcohol Beverages	Beer, happo-shu, new genre, non-alcohol beer-taste beverage, chu-hi, cocktail, shochu, wine, liquors, etc.
Soft Drinks and Foods	Soft drinks, dairy products, other foods, etc.
Pharmaceuticals	Prescription medicines

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

1) Kirin Holdings Co., Ltd.

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

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

2) Subsidiaries

Business division	Company name	Major centers	
Alcohol Beverages	Kirin Brewery Co., Ltd.	Head Office Branch Offices Plants Laboratories	Chuo-ku, Tokyo 10 Regional Sales & Marketing Divisions including Metropolitan Regional Sales & Marketing Division (Chuo-ku, Tokyo) 9 Plants including Yokohama Plant (Yokohama) Brewing Technology Development Center and Packaging Technology Development Center (Yokohama)
	Mercian Corp.	Head Office Branch Offices Plants	Chuo-ku, Tokyo 8 Branches including Metropolitan Regional Sales & Marketing Branch (Chuo-ku, Tokyo) 5 Plants including Fujisawa Plant (Fujisawa)
Soft Drinks and Foods	Kirin Beverage Co., Ltd.	Head Office Branch Offices Plants Laboratories	Chiyoda-ku, Tokyo 7 Area Divisions including Kanto Metropolis Area Division (Chiyoda-ku, Tokyo) Shonan Plant (Samukawa-machi, Koza-gun, Kanagawa) and Maizuru Plant (Maizuru) Laboratory for New Product Development and Laboratory for Core Technology Development (Yokohama)
	Kirin Kyowa Foods Co., Ltd.	Head Office	Shinagawa-ku, Tokyo
Pharmaceuticals	Kyowa Hakko Kirin Co., Ltd.	Head Office Branch Offices Plants Laboratories	Chiyoda-ku, Tokyo 13 Branches including Tokyo Branch (Chuo-ku, Tokyo) 5 Plants including Fuji Plant (Nagaizumi-cho, Suntou-gun, Shizuoka) and Takasaki Plant (Takasaki) 5 Laboratories including Tokyo Research Park (Machida, Tokyo) and Fuji Research Park (Nagaizumi-cho, Suntou-gun, Shizuoka)
Other	Lion Nathan National Foods Pty Ltd	Head Office	Sydney, New South Wales, Australia

(Note) Lion Nathan National Foods Pty Ltd, the holding company for our Oceania operations, is classified in Other Businesses because its subsidiaries Lion Nathan Ltd. and National Foods Limited are affiliated with the Alcohol Beverages Business Division and the Soft Drinks and Foods Business Division, respectively.

(8) Employees of Kirin Group

Business division	Number of employees (persons)
Alcohol Beverages Business	11,758 [3,996]
Soft Drinks and Foods Business	11,258 [1,930]
Pharmaceuticals Business	5,041 [104]
Other Businesses	3,330 [271]
Administration	579 [8]
Total	31,966 [6,309]

- (Notes)
1. The number of employees indicates the number of employees currently on duty.
 2. The yearly average number of temporary employees is separately indicated in brackets.
 3. The number of the Company's employees is 275 (excluding employees seconded by the Company and including employees seconded to the Company).

(9) Significant subsidiaries, etc.

1) Significant subsidiaries

Company name	Location	Capital	Ratio of shareholding	Description of principal businesses
Kirin Brewery Co., Ltd.	Chuo-ku, Tokyo	¥30,000 million	100%	Production and sale of alcohol beverages
Mercian Corp.	Chuo-ku, Tokyo	¥20,972 million	100%	Import, production and sale of alcohol beverages
Kirin Beverage Co., Ltd.	Chiyoda-ku, Tokyo	¥8,416 million	100%	Production and sale of soft drinks
Kirin Kyowa Foods Co., Ltd.	Shinagawa-ku, Tokyo	¥3,000 million	*100%	Production and sale of seasonings, etc.
Kyowa Hakko Kirin Co., Ltd.	Chiyoda-ku, Tokyo	¥26,745 million	50.1%	Production and sale of prescription medicine
Lion Nathan National Foods Pty Ltd	Sydney, New South Wales, Australia	A\$6,061 million	100%	Management of business in Oceania

(Note) The ratio of shareholding marked with an asterisk (*) is based on shares including those held by the subsidiaries.

2) Significant affiliated companies

Company name	Location	Capital	Ratio of shareholding	Description of principal businesses
San Miguel Brewery, Inc.	Mandaluyong City, Metro Manila, the Philippines	₱15,410 million	48.4%	Production and sale of beer
Kirin-Amgen, Inc.	Thousand Oaks, California, U.S.A.	U.S.\$10	50.0%	Research and development of pharmaceuticals

(10) Status of significant business transfers from and to Kirin Group and acquisitions and disposals of shares of other companies.

- 1) The Company acquired 14.7% (205,500 thousand shares) of outstanding shares in Fraser and Neave Ltd. on July 29, 2010.
- 2) The Company executed a share exchange between the Company and its subsidiary Mercian Corp. on December 1, 2010 to make this subsidiary a wholly-owned subsidiary.

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

Lender	Outstanding amount of loan
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥159,553 million
Syndicated loan *	¥90,000 million

(Note) The loan marked with an asterisk (*) is a syndicated loan with The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the sole agent bank.

2. State of shares

(1) Total number of shares authorized to be issued

1,732,026,000 shares

(2) Total number of issued shares

965,000,000 shares

*(Decreased by 19,508,387 shares from the end of the previous term)

(Note) The description marked with an asterisk (*) is a result of an increase of 9,257,164 shares due to the new share issue in association with the share exchange with Mercian Corp. dated December 1, 2010, and a decrease of 28,765,551 shares due to the cancellation of treasury stock dated December 30, 2010.

(3) Number of shareholders

140,843 persons

(Increased by 14,035 persons from the end of the previous term)

(4) Major shareholders (top ten)

Name of shareholder	Number of shares held by the shareholder (thousand shares)	Ratio of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	52,381	5.4
Japan Trustee Services Bank, Ltd. (Trust account)	51,380	5.3
Meiji Yasuda Life Insurance Company	35,046	3.6
Isono Shokai, Limited	23,272	2.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,251	2.0
Japan Trustee Services Bank, Ltd. (Trust account 4)	16,160	1.7
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	14,738	1.5
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust for Mitsubishi UFJ Trust and Banking Corporation)	11,621	1.2
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,512	1.2
The Mellon Bank, N.A. Treaty Client Omnibus	11,443	1.2

(Note) Ratio of shares held excludes treasury stock (2,997 thousand shares).

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

(1) Names of Directors and Corporate Auditors, etc.

Title	Name	Responsibilities and important positions concurrently held at other companies
Chairman of the Board	Kazuyasu Kato	–
President (Representative Director)	Senji Miyake	–
Executive Vice President (Representative Director)	Kazuhiro Sato	Responsible for Group Personnel & General Affairs Strategy, Legal, Internal Control and Internal Audit
Managing Director (Representative Director)	Yoshiharu Furumoto	Responsible for Group Financial Strategy and PR & IR Strategy Director of Lion Nathan National Foods Pty Ltd
Managing Director	Yuji Owada	Responsible for Group Production and Logistics Strategy, Group R&D Strategy, and Quality and Environment
*Managing Director	Yoshinori Isozaki	Responsible for CSR & Risk Management & Compliance and Group Procurement Strategy Director of San Miguel Brewery, Inc. Director of Kyowa Hakko Kirin Co., Ltd.
*Managing Director	Hirotake Kobayashi	Responsible for Group Business Investment and Alliance Strategy and Group Information Strategy Director of Fraser and Neave Ltd. President of Kirin Business Expert Co., Ltd.
Director	Akira Gemma	Advisor of Shiseido Co., Ltd.
*Director	Shigemitsu Miki	Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Standing Corporate Auditor	Hitoshi Oshima	Corporate Auditor of Kirin Brewery Co., Ltd. and Mercian Corp.
Standing Corporate Auditor	Tetsuo Iwasa	Corporate Auditor of Kirin Beverage Co., Ltd. and Kirin Business Expert Co., Ltd.

Title	Name	Responsibilities and important positions concurrently held at other companies
Corporate Auditor	Toyoshi Nakano	Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation
Corporate Auditor	Teruo Ozaki	President of Teruo Ozaki & Co. (Certified Public Accountant) Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Corporate Auditor	Kazuo Tezuka	Attorney at Kaneko & Iwamatsu

- (Notes)
1. Directors marked with an asterisk (*) newly assumed office as of March 26, 2010.
 2. Messrs. Akira Gemma and Shigemitsu Miki are outside Directors as provided for in Article 2, item (xv) of the Corporate Law.
 3. Messrs. Toyoshi Nakano, Teruo Ozaki and Kazuo Tezuka are outside Corporate Auditors as provided for in Article 2, item (xvi) of the Corporate Law.
 4. Business relations involving cash loans, etc. exist between the Company and The Bank of Tokyo-Mitsubishi UFJ, Ltd., where Director Mr. Shigemitsu Miki and Corporate Auditor Mr. Teruo Ozaki both hold important positions concurrently.
 5. Business relations involving cash loans, etc. exist between the Company and Mitsubishi UFJ Trust and Banking Corporation, where Corporate Auditor Mr. Toyoshi Nakano holds an important position concurrently.
 6. Corporate Auditor Mr. Teruo Ozaki is a certified public accountant and has a wealth of expertise in finance and accounting.
 7. Kirin Business Expert Co., Ltd., where Managing Director Mr. Hirotake Kobayashi and Standing Corporate Auditor Mr. Tetsuo Iwasa both hold important positions concurrently, changed its company name to Kirin Group Office Co., Ltd. on January 1, 2011.
 8. Directors listed hereunder resigned as of March 26, 2010.

Managing Director	Etsuji Tawada
Director	Yuzuru Matsuda
Director	Satoru Kishi

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

	Directors		Corporate Auditors		Total	
	Number of persons	Amount (millions of yen)	Number of persons	Amount (millions of yen)	Number of persons	Amount (millions of yen)
Annual remuneration monthly paid	11 [3]	409 [23]	5 [3]	104 [35]	16 [6]	514 [58]
Bonus	9 [2]	141 [2]	5 [3]	14 [3]	14 [5]	156 [5]
Total	–	551 [25]	–	119 [38]	–	670 [63]

- (Notes) 1. Nine (9) Directors and five (5) Corporate Auditors remain in their positions as of December 31, 2010. The total amount above includes the remunerations to Directors who retired from office as of March 26, 2010.
2. The numbers in brackets of each respective item indicate the number of and the remuneration for outside Directors and Corporate Auditors included in the number above.
3. The remuneration limit for Directors is ¥50 million per month (Resolved at the 164th Ordinary General Meeting of Shareholders on March 28, 2003).
4. The remuneration limit for Corporate Auditors is ¥9 million per month (Resolved at the 167th Ordinary General Meeting of Shareholders on March 30, 2006).
5. The above bonus for Directors and Corporate Auditors is an amount expected to be paid on condition that the original proposition No. 4 of the 172nd Ordinary General Meeting of Shareholders is approved.

(3) **Primary activities of outside Directors and outside Corporate Auditors during the fiscal year**

Title	Name	Attendance at Board of Directors Meetings	Attendance at Board of Corporate Auditors Meetings	Statements contribution
Director	Akira Gemma	19 times of 19 meetings	–	He was president at a consumer product manufacturing company. He made statements from his experience and perspective as a management executive.
	Shigemitsu Miki	13 times of 14 meetings	–	He was president at a bank. He made statements from his experience and perspective as a management executive.
Corporate Auditor	Toyoshi Nakano	17 times of 19 meetings	9 times of 13 meetings	He was president at a trust bank. He made statements from his experience and perspective as a management executive.
	Teruo Ozaki	18 times of 19 meetings	13 times of 13 meetings	He made statements primarily from his professional perspective as a CPA.
	Kazuo Tezuka	19 times of 19 meetings	11 times of 13 meetings	He made statements primarily from his professional perspective as an attorney.

(Note) The Board of Directors Meetings applicable to Director Mr. Shigemitsu Miki are only those held subsequent to his assumption of office on March 26, 2010.

4. Status of Independent Auditor

(1) Name of Independent Auditor

KPMG AZSA LLC

(Note) KPMG AZSA & Co. became KPMG AZSA LLC on July 1, 2010.

(2) Remunerations to the Independent Auditor

1)	Amount of remunerations paid for services as the Independent Auditor during the fiscal year under review	¥97 million
2)	Total amount of money and other property benefits to be paid by the Company and its subsidiaries for services during the fiscal year under review	¥274 million

- (Notes) 1. The audit agreement between the Independent Auditor and the Company does not separately stipulate audit remunerations based on the Corporate Law or the Financial Instruments and Exchange Law. Hence, the remunerations in 1) above do not separate these two types of payment.
2. The Company pays the Independent Auditor consideration for services such as duties of the advisory service concerning internal control related to financial reporting, which are not the services set forth in Article 2, paragraph (1) of the Certified Public Accountants Law.
3. Of the significant subsidiaries of the Company, three (3) companies including Kyowa Hakko Kirin Co., Ltd. are subject to audits of accounts (limited to audits stipulated in the Corporate Law or the Financial Instruments and Exchange Law (including similar foreign laws)) by a certified public accountant or incorporated accounting firm (including overseas auditors possessing similar qualifications) other than the Independent Auditor of the Company.

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

If the Company's Board of Auditors determines that any of the items of Article 340, paragraph (1) of the Corporate Law applies with respect to the Independent Auditor, it shall dismiss the Independent Auditor. Such dismissal shall require the unanimous agreement of all the Corporate Auditors.

In addition, if it is determined that any of the items of Article 340, paragraph (1) of the Corporate Law applies with respect to the Independent Auditor, the Company's Board of Directors shall, with the consent of, or upon a request from, the Board of Auditors, submit a proposition calling for the dismissal of the Independent Auditor to the General Meeting of Shareholders. Alternatively, if it is determined that a change of Independent Auditor is necessary because of the manner in which the Independent Auditor is executing its duties or because of the Company's system of auditing, the Board of Directors shall submit a proposition calling for the denial of reappointment of the Independent Auditor to the General Meeting of Shareholders.

5. System to secure the appropriate operations

The outline of a system to secure the appropriate operations of the Company (the internal control system) that the Company resolved at its Board of Directors Meeting is as follows.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Items related to the governance and monitoring of each Group company
- Items related to guidance and management concerning the maintenance of the internal control system for each Group company
- Items related to the communication system* linking the Group companies
- Items related to the Group internal auditing system operated by the Internal Audit Department
 - * The system to share information within the Group, the compliance hotline system, and other related items

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

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED BALANCE SHEET

(As of December 31, 2010)

(millions of yen)

<u>Assets</u>	
Current Assets	<u>727,088</u>
Cash	51,463
Notes and accounts receivable, trade	415,268
Merchandise and finished goods	129,704
Work in process	19,917
Raw materials and supplies	38,191
Deferred tax assets	27,598
Other	46,884
Allowance for doubtful accounts	(1,939)
Fixed Assets	<u>1,922,108</u>
Property, Plant and Equipment	<u>739,235</u>
Buildings and structures	227,330
Machinery, equipment and vehicles	187,436
Land	225,246
Construction in progress	61,103
Other	38,117
Intangible Assets	<u>658,357</u>
Goodwill	562,492
Other	95,864
Investments and Other Assets	<u>524,515</u>
Investment securities	428,383
Deferred tax assets	45,916
Other	57,645
Allowance for doubtful accounts	(7,430)
<hr/>	
Total Assets	<u>2,649,197</u>
<hr/>	

Liabilities

Current Liabilities	<u>679,695</u>
Notes and accounts payable, trade	169,036
Short-term loans payable and long-term debt with current maturities	181,786
Commercial papers	10,999
Bonds due within one year	3,361
Liquor taxes payable	92,553
Income taxes payable	26,544
Allowance for employees' bonuses	6,367
Allowance for bonuses for directors and corporate auditors	237
Reserve for repair and maintenance	601
Accrued expenses	88,166
Other	100,039
Long-term Liabilities	<u>810,464</u>
Bonds	320,070
Long-term debt	262,720
Deferred tax liabilities	21,468
Deferred tax liabilities due to land revaluation	1,471
Employees' pension and retirement benefits	66,882
Retirement benefits for directors and corporate auditors	302
Reserve for repair and maintenance of vending machines	4,738
Reserve for environmental measures	1,172
Deposits received	73,663
Other	57,974
Total Liabilities	<u>1,490,160</u>

<u>Net Assets</u>	
Shareholders' Equity	<u>1,001,992</u>
Common stock	102,045
Capital surplus	81,412
Retained earnings	821,519
Treasury stock, at cost	(2,985)
Valuation and Translation Adjustments	<u>(39,516)</u>
Net unrealized holding gains on securities	7,252
Deferred gains or losses on hedges	1,285
Land revaluation difference	(4,713)
Foreign currency translation adjustments	(43,341)
Subscription Rights to Shares	207
Minority Interests	196,352
<hr/>	
Total Net Assets	1,159,036
<hr/>	
Total Liabilities and Net Assets	2,649,197
<hr/>	

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

CONSOLIDATED STATEMENT OF INCOME

(From January 1, 2010 to December 31, 2010)

		(millions of yen)
Sales		2,177,802
Cost of sales		1,314,809
Gross profit		862,992
Selling, general and administrative expenses		711,380
Operating income		151,612
Non-operating income		
Interest income	1,223	
Dividend income	3,616	
Equity in earnings of affiliates	9,479	
Other	6,650	20,970
Non-operating expenses		
Interest expense	22,047	
Foreign currency translation loss	4,908	
Other	4,656	31,613
Ordinary income		140,969
Special income		
Gain on sale of fixed assets	7,950	
Gain on sale of investment securities	14,716	
Gain on sale of shares of subsidiaries and affiliates	122	
Gain on negative goodwill	7,564	
Reversal of removal costs	6,380	
Other	3,114	39,850
Special expenses		
Loss on disposal of fixed assets	6,637	
Loss on sale of fixed assets	1,710	
Loss on impairment	42,885	
Loss on devaluation of investment securities	1,612	
Loss on sale of investment securities	132	
Loss on sale of shares of subsidiaries and affiliates	6,630	
Loss on reversal of foreign currency translation adjustments due to liquidation of a foreign subsidiary	7,568	
Business restructuring expense	7,155	
Loss on revision of retirement benefit plan	7,226	
Loss on prior periods adjustment	5,300	
Other	13,630	100,492
Income before income taxes and minority interests		80,327
Income taxes — current	55,077	
Income taxes — deferred	1,576	
Income taxes for prior years — deferred	1,169	57,823
Minority interests		11,109
Net income		11,394

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(From January 1, 2010 to December 31, 2010)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2009	102,045	71,582	860,538	(30,486)	1,003,680
Changes of items during the period					
Issuance of new shares		10,543			10,543
Dividends from surplus			(22,878)		(22,878)
Net income			11,394		11,394
Acquisition of treasury stock				(881)	(881)
Disposal of treasury stock		27		128	156
Retirement of treasury stock		(28,276)		28,276	–
Changes due to share exchange				(23)	(23)
Transfer to capital surplus from retained earnings		27,535	(27,535)		–
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	9,830	(39,019)	27,501	(1,687)
Balance as of December 31, 2010	102,045	81,412	821,519	(2,985)	1,001,992

	Valuation and translation adjustments					Subscription rights to shares	Minority interests	Total net assets
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of December 31, 2009	18,279	(1,548)	(4,713)	(34,375)	(22,357)	196	217,350	1,198,869
Changes of items during the period								
Issuance of new shares								10,543
Dividends from surplus								(22,878)
Net income								11,394
Acquisition of treasury stock								(881)
Disposal of treasury stock								156
Retirement of treasury stock								–
Changes due to share exchange								(23)
Transfer to capital surplus from retained earnings								–
Net changes of items other than shareholders' equity	(11,027)	2,834		(8,966)	(17,158)	11	(20,997)	(38,145)
Total changes of items during the period	(11,027)	2,834	–	(8,966)	(17,158)	11	(20,997)	(39,833)
Balance as of December 31, 2010	7,252	1,285	(4,713)	(43,341)	(39,516)	207	196,352	1,159,036

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

FOOT NOTES

Significant Accounting Policies

1. Consolidation

(1) Consolidated subsidiaries: 259 companies

Major consolidated subsidiaries: Kirin Brewery Co., Ltd., Kyowa Hakko Kirin Co., Ltd., Kirin Beverage Co., Ltd., Mercian Corp., Lion Nathan National Foods Pty Ltd.

The changes of the scope of consolidation are as follows:

- (a) Due to new establishment, Shinshu Beverage Co., Ltd., Kirin Holdings Singapore Pte. Ltd., 2 subsidiaries of Kyowa Hakko Kirin Co., Ltd., 1 subsidiary of Mercian Corp., and 1 other subsidiary became consolidated subsidiaries.
- (b) Due to new acquisition, 1 subsidiary of Lion Nathan National Foods Pty Ltd. became a consolidated subsidiary.
- (c) Due to sale of shares, 1 subsidiary of Lion Nathan National Foods Pty Ltd., 1 subsidiary of Mercian Corp., Nagano Tomato Co., Ltd., Kirin Agribio Co. Ltd., Japan Potato Co., Ltd., Kirin Agribio Shanghai Co., Ltd., Kirin Agribio EC B.V. and 22 subsidiaries of Kirin Agribio EC B.V. were excluded from the consolidation scope.
- (d) Due to liquidation, 1 subsidiary of Mercian Corp. and Kirin Holdings Netherlands B.V. were excluded from the consolidation scope.
- (e) Due to merger, 1 subsidiary of Lion Nathan National Foods Pty Ltd. and 1 subsidiary of Kirin Kyowa Foods Co., Ltd. were excluded from the consolidation scope.

(2) Major unconsolidated subsidiary: Koiwai Shokuhin Corporation

Certain subsidiaries including Koiwai Shokuhin Corp. are excluded from the scope of consolidation because the effect of their sales, net income or losses (amount corresponding to interests), total assets and retained earnings (amount corresponding to interests) on the accompanying consolidated financial statements are immaterial.

2. Equity method

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

Unconsolidated subsidiary: Japan Synthetic Alcohol Co., Ltd.

The Company has obtained the majority of the voting rights of Japan Synthetic Alcohol Co., Ltd., however, the company is regarded as an unconsolidated subsidiary accounted for by the equity method because its effect on the consolidated financial statements is immaterial.

(2) Affiliated companies accounted for by the equity method: 21 companies

Major affiliated company: San Miguel Brewery, Inc.

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

Due to sale of shares, Verde Co., Ltd., Qingdao International Seeds Co., Ltd. and 1 subsidiary of Kirin Agribio EC B.V. were excluded from the scope of application of the equity method.

- (3) Certain investments in unconsolidated subsidiaries including Koiwai Shokuhin Corp. and affiliates including Diamond Sports Club Co., Ltd. were not accounted for by the equity method and were stated at cost because the effect of their net income or losses and retained earnings on the accompanying consolidated financial statements are immaterial.

(4) Where fiscal year-ends of the affiliated companies accounted for by the equity method

are different from that of the Company, the Company mainly used their financial statements as of their fiscal year-ends.

- (5) The Company recognized San Miguel Brewery Inc. (the fiscal year ended December 31) in equity of earnings of its financial statements based on the financial statements for 12 months from the fourth quarter of the previous fiscal year to the third quarter of the fiscal year. It is difficult for the Company to prepare its consolidated financial statements based on the final year-end figures of San Miguel Brewery Inc. due to the early disclosure of the consolidated business performance.

3. Fiscal year-ends of the consolidated subsidiaries

The consolidated subsidiaries whose fiscal year-ends are different from that of the Company are Lion Nathan National Foods Pty Ltd. and its subsidiaries (September 30). The Company used the financial statements of the companies as of their fiscal year-end and for the year then ended for consolidation and the Company made necessary adjustments for major transactions between the fiscal year-end of the consolidated subsidiaries and the fiscal year-end of the Company.

Additionally, for the purpose of the further promotion of the Company's integrated beverages group strategy in Oceania, the Company made Lion Nathan Ltd. ("LN") a wholly-owned subsidiary in October 2009. At the same time, in order that Lion Nathan National Foods Pty Ltd ("LNNF") manages all Oceania operations on a unified basis, National Foods Limited ("NFL"), LN and their subsidiaries were made the subsidiaries of LNNF. And the Company has integrated the fiscal year-ends of LNNF, NFL and the subsidiaries ("the companies") from December 31 to September 30 from this fiscal year.

To prepare the consolidated financial statements, financial statements of the companies as of September 30, 2010 are used because the difference between the Company's and the companies' year-ends does not exceed three months. However, their profit or loss for the period from October 1, 2009 to December 31, 2009 is not included in the Company's consolidated statement of income for the year ended December 31, 2010 because their profit or loss for the period has been included in the Company's consolidated statement of income for the fiscal year ended December 31, 2009.

4. Accounting policies

(1) Valuation of major assets

(a) Marketable and investment securities

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

(b) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(c) Inventories

- 1) Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the periodic average method. (The cost method with book value written down to the net realizable value)

- 2) Raw materials, containers and supplies are mainly stated at cost determined by the moving-average method. (The cost method with book value written down to the net realizable value)
 - 3) Cost on uncompleted construction contracts is stated at cost determined by the specific identification method.
- (2) Depreciation and amortization of fixed assets
- (a) Property, plant and equipment (excluding lease assets)

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated loss from impairment. Depreciation for the Company and consolidated domestic subsidiaries is calculated using the declining-balance method except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method. Depreciation for several consolidated subsidiaries is calculated using the straight-line method.
 - (b) Intangible assets (excluding lease assets)
 - 1) The Company and consolidated domestic subsidiaries amortize intangible assets using the straight-line method.
 - 2) Consolidated overseas subsidiaries mainly adopt the straight-line method over 20 years.
 - (c) Lease assets

Lease assets pertaining to finance lease transactions other than those involving a transfer of title

 - 1) Depreciation is calculated on the straight-line method over the lease terms without residual value.
 - 2) For finance lease transactions other than those involving a transfer of title that began prior to December 31, 2008, the previous operating lease method continues to be applied.
- (3) Method of providing major allowances and reserves
- (a) Allowance for doubtful accounts

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

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

The Company and consolidated subsidiaries provide allowance for bonuses for directors and corporate auditors based on the estimated amounts of payment.
 - (d) Reserve for repair and maintenance

The consolidated subsidiaries of Kyowa Hakko Kirin Co., Ltd. provide reserve for periodic repair and maintenance of production facilities based on the amounts required for the fiscal year of the estimated amounts of payment.
 - (e) Employees' pension and retirement benefits

The Company and consolidated subsidiaries provide allowance for employees' pension and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Prior service cost is amortized by the straight-line method over mainly 5 to 15 years. Actuarial differences are amortized by the straight-line method over the average estimated service period, which is mainly 10 to 15 years, beginning from the following fiscal year.

(Changes in accounting policies)

From this fiscal year, the Company has applied the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, July 31, 2008). As a result, there was no effect on operating income, ordinary income and income before income taxes and minority interests. There is also no effect on unamortized actuarial differences caused by application of the Accounting Standards.

- (f) Retirement benefits for directors and corporate auditors
Provision for retirement benefits for directors and corporate auditors represents 100% of such retirement benefit obligations as of the balance sheet date calculated in accordance with policies of the Company and its consolidated subsidiaries.
- (g) Reserve for repair and maintenance of vending machines
Kirin Beverage Co., Ltd. and consolidated subsidiaries provide reserve for repair and maintenance of vending machines by estimating the necessary repair and maintenance cost in the future, allocating the costs over a five-year period. The actual expenditure was deducted from the balance of the reserve on the consolidated balance sheet.
- (h) Reserve for environmental measures
The Company provides reserve for environmental measures based on the estimated amount of payment at the fiscal year end.
(Additional information)
Since the estimated amount of payment for environmental measures became significant, the Company recorded reserve for environmental measures in the amount of ¥1,172 million effective from this fiscal year. Accordingly, the corresponding expense amount was recorded in “Other” of special expenses. This resulted in a decrease in income before income taxes and minority interests for the same amount.

(4) Hedge accounting

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

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

- (a) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
 - 1) the difference, if any, between the amount in Japanese yen of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statement of income in the period which includes the inception date, and
 - 2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- (b) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

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

(5) Consumption taxes

Consumption taxes are excluded from the revenue and expense accounts which are

subject to such taxes.

5. Valuation of the assets and liabilities of consolidated subsidiaries

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time when the Company acquired control of the respective subsidiaries.

6. Goodwill

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

Changes in Significant Accounting Policies

1. Changes in basis of recognizing sales of completed construction contracts and cost of sales of completed construction contracts

Revenues for contract works were previously accounted for mainly by the completed-contract method. From this fiscal year, the Company has applied the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007). For the construction contracts started during this fiscal year, the percentage-of-completion method (the cost proportion method is used to estimate the percentage of completion) is applied to the contracts if the outcome of construction activity is deemed to be definite during the course of the activity by the end of this fiscal year, while the completed-contract method is applied otherwise. The effect on net income of this change is immaterial.

2. Application of accounting standards and guidance related to business combinations

From this fiscal year, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), the “Accounting Standard for Equity Method” (ASBJ Statement No. 16, December 26, 2008), and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

Changes in Presentation

(Consolidated statement of income)

From this fiscal year, “Interest income” and “Dividend income” included in “Interest and dividend income” of Non-operating income in this fiscal year ended December 31, 2009 have been separately presented. “Interest income” and “Dividend income” included in “Interest and dividend income” for the prior fiscal year amounted to ¥2,573 million and ¥5,573 million, respectively.

Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of Property, Plant and Equipment	¥1,190,661 million
2. Amount reduced from fixed assets due to government subsidy received and others	¥1,224 million
3. Assets pledged as collateral and secured borrowings	
(1) Assets pledged as collateral	
Cash	¥9 million
Notes and accounts receivable, trade	¥29 million
Buildings and structures	¥962 million
Machinery, equipment and vehicles	¥581 million
Land	¥831 million
Investment securities	¥1,150 million
Other of investments and other assets	¥1 million
	<hr/>
Total	¥3,566 million
(2) Secured borrowings	
Notes and accounts payable, trade	¥1,586 million
Short-term loans payable and long-term debt with current maturities	¥100 million
Long-term debt	¥82 million
Deposits received	¥3,430 million
	<hr/>
Total	¥5,199 million
4. Contingent liabilities	
(1) Guarantees for loan from banks and other of unconsolidated subsidiaries and affiliates	¥2,556 million
(2) Guarantees for loan from banks and other of employees	¥3,784 million
(3) Guarantees for loan from banks and other of customers	¥1,479 million
(4) Notes and account receivables transferred through securitization	¥1,135 million
	<hr/>
Total	¥8,955 million
(arrangements similar to guarantees of ¥52 million are included in the above.)	
5. Trade notes discounted	¥30 million

Notes to the Consolidated Statement of Income

1. Foreign currency translation loss

Gain on currency swaps and forward foreign exchange contracts (¥3,932 million) that are carried to hedge the foreign exchange rates fluctuation risks on loans receivable in foreign currency is presented after offsetting foreign currency translation loss.

2. Loss on impairment

During this fiscal year, the Company and consolidated subsidiaries recognized loss on impairment on the following group of assets.

Use	Location	Type
Others (Soft Drinks and Foods business)	Australia	Goodwill, intangible assets and other
Asset used for business (Alcohol Beverages business)	Yatsushiro-shi, Kumamoto and 2 others	Buildings and structures, machinery, equipment and vehicles and other
Asset used for business and asset for rent (Soft Drinks and Foods business)	Sayama-shi, Saitama	Buildings and structures and land
Asset for rent	Osaka-shi, Osaka	Buildings and structures, machinery, equipment and vehicles, land and other
Idle properties	Takaoka-shi, Toyama and 9 others	Buildings and structures, machinery, equipment and vehicles, land and other

The Company and its consolidated subsidiaries classified fixed assets into groups by the type of respective company's business (Alcohol Beverages, Soft Drinks and Foods, Pharmaceuticals, and Other), which are the units making investment decisions. For fixed assets in the real estate business included in Others, the restaurant business and idle properties along with individual properties or stores are considered to constitute a group. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independent of other assets or group of assets.

Carrying amounts of certain assets were devalued to their memorandum value or recoverable amount because (i) The Company revalued goodwill, intangible assets and others recorded at Soft Drink and Food business at subsidiaries in Australia in accordance with International Accounting Standards in Australia by reflecting recent increase in material prices, changes in market environment and the volatility of brand value caused by such changes, (ii) Some of assets used for Alcohol Beverages business were not recovered by estimated future cash flows, (iii) Some of business assets and rental properties used for Soft Drinks and Foods business were revalued following the reorganization of refrigerated drinks manufacturing operations (iv) The fair market values of rental properties and idle properties substantially declined comparing to their carrying values.

As a result, the Company recognized a loss on impairment for such devaluation, recorded under special expenses, comprising ¥1,422 million for buildings and structures, ¥1,224 million for machinery, equipment and vehicles, ¥1,384 million for land, ¥29 million for other property, plant and equipment, ¥13,938 million for goodwill, and ¥24,885 million for other intangible assets.

The recoverable amount of each group of assets is the higher of net selling price (fair value

less cost to sell) or value in use calculated by discounting future cash flows at an interest rate of 5.0 %. Besides, a discount rate of 12.9% (post tax 9.0%) was used for the revaluation of goodwill and others recorded at Soft Drink and Food business in Australia.

Notes to the Consolidated Statement of Changes in Net Assets

1. Type and number of shares outstanding and treasury stock

(1) Shares outstanding

<u>Type of shares outstanding</u>	<u>common stock</u>
Number of shares as of December 31, 2009	984,508,387 shares
Number of shares increased during the accounting period ended December 31, 2010	9,257,164 shares
Number of shares decreased during the accounting period ended December 31, 2010	28,765,551 shares
Number of shares as of December 31, 2010	965,000,000 shares

- Notes:
- Increase in the number of shares was due to the issuance of new shares in connection with share exchange.
 - Decrease in the number of shares was due to retirement of treasury stock pursuant to Article 178 of the Corporate Law.

(2) Treasury stock

<u>Type of treasury stock</u>	<u>common stock</u>
Number of shares as of December 31, 2009	31,167,235 shares
Number of shares increased during the accounting period ended December 31, 2010	739,822 shares
Number of shares decreased during the accounting period ended December 31, 2010	28,896,849 shares
Number of shares as of December 31, 2010	3,010,208 shares

- Notes:
- Detail of increase in the number of shares is as follows.
 - Purchase of less-than-one-unit shares: 727,308 shares
 - Acquisition of treasury stocks by unconsolidated subsidiaries accounted for by equity method due to share exchange: 12,514 shares
 - Detail of decrease in the number of shares is as follows.
 - Retirement of treasury stock pursuant to Article 178 of the Corporate Law: 28,765,551 shares
 - Sales of less-than-one-unit shares: 131,298 shares

2. Matters related to dividends

(1) Dividend payment

Approvals by ordinary general meeting of shareholders held on March 26, 2010 are as follows:

Dividend on Common stock

- | | |
|-----------------------------|-------------------|
| a. Total amount of dividend | ¥10,963 million |
| b. Dividend per share | ¥11.50 |
| c. Record date | December 31, 2009 |
| d. Effective date | March 29, 2010 |

Approvals by the Board of Directors meeting on August 16, 2010 are as follows:

Dividend on Common stock

- | | |
|-----------------------------|-------------------|
| a. Total amount of dividend | ¥11,915 million |
| b. Dividend per share | ¥12.50 |
| c. Record date | June 30, 2010 |
| d. Effective date | September 6, 2010 |

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2010 but to be effective after the said accounting period

We will seek approval at general meeting of shareholders to be held on March 29, 2011 as follows:

Dividends on Common stock

- | | |
|-----------------------------|-------------------|
| a. Total amount of dividend | ¥12,025 million |
| b. Funds for dividend | Retained earnings |
| c. Dividend per share | ¥12.50 |
| d. Record date | December 31, 2010 |
| e. Effective date | March 30, 2011 |

Notes to Financial Instruments

1. Matters related to financial instruments

(1) Policy for financial instruments

The basic policy of the Company and its consolidated subsidiaries is to effectively obtain necessary funds according to changes in business environment. Currently, funds are mainly obtained through bank borrowings, and issuance of commercial papers and corporate bonds. Temporary surplus funds are invested in highly safe financial assets such as time deposits. Derivatives are used, not for speculative purpose, but to avoid risks mentioned below.

(2) Types of financial instruments and related risk

Trade receivables such as trade notes and accounts receivable are exposed to customer credit risk. Trade receivables denominated in foreign currencies arising from global business development are exposed to foreign currency exchange risk. Marketable securities and investment securities, which mainly consist of stocks issued by companies with which the Company and its consolidated subsidiaries have business relationships, are exposed to market risk.

Substantially all trade payables such as trade notes and accounts payables have payment due dates within one year. Some of trade payables denominated in foreign currencies arising from import of raw materials are exposed to foreign currency exchange risk.

The purpose of short-term loans payable and commercial papers is mainly to fund short-term working capital and the purpose of long-term debt and loans is mainly to fund necessary amount for investments and lending and long-term working capital. Some loans payable bear variable interest rates and are exposed to interest rate fluctuation risk.

Regarding derivatives, the Company and its consolidated subsidiaries enters into forward foreign exchange contracts and currency swaps for the purpose of hedging foreign currency exchange risk deriving from trade receivables and payables denominated in foreign currencies and loans to group companies, and interest rate swaps, interest rate cap contracts and interest rate floor contracts for the purpose of hedging interest rate fluctuation risk deriving from interest payments on debt.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the default risk for customers and counterparties)

In accordance with the internal policies of the Company and its consolidated subsidiaries for managing credit risk arising from receivables, each related sales division monitors credit worthiness of their main customers and counterparties on a periodical basis and monitors due dates and outstanding balances by individual customer. In addition, the Company and its consolidated subsidiaries are making efforts to quickly identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Company and its consolidated subsidiaries believe that the credit risk of derivatives is insignificant as it enters into derivatives only with financial institutions which have a high credit rating.

(b) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

Regarding trade receivables and payables denominated in foreign currencies, the Company and its consolidated subsidiaries generally utilizes forward foreign exchange contracts to hedge the risk for the foreign currency exchange risks identified for each currency on a monthly basis. Currency swaps are utilized to mitigate interest rate risk on loans denominated in foreign currencies which are made to foreign subsidiaries. In addition, interest rate swaps, interest rate cap contracts and interest rate floor contracts are utilized to mitigate interest rate fluctuation risk deriving from interest payments on debt.

For marketable securities and investment securities, the Company and its consolidated subsidiaries periodically reviews their fair values and the financial position of the issuers. Additionally, the Company and its consolidated subsidiaries continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.

In conducting and managing derivative transactions, the division in charge of each derivative transaction follows the internal management policies, which define delegation of authority and position limits. Actual transaction data are regularly reported to the Director of Financial division.

- (c) Monitoring of liquidity risk related to fund procurement (the risk that the Company and its consolidated subsidiaries may not be able to meet its obligations on scheduled due dates)

In order to manage liquidity risk, the Company and its consolidated subsidiaries timely prepare and update the cash flow plans based upon the report from each division and maintains fund liquidity.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price. When no quoted market price is available, fair value is reasonably estimated. Since various variable assumptions are reflected in estimating the fair value, different assumptions could result in different fair values.

2. Matters relates to fair values of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet as of December 31, 2010 and their fair values, as well as their differences. Please note that financial instruments whose fair values are deemed extremely difficult to assess are not included.

	Book value	Fair market value	Differences
(millions of yen)			
ASSETS			
(1) Cash	51,463	51,463	—
(2) Notes and accounts receivable, trade	415,268	415,268	—
(3) Marketable securities and investment securities			
a. Held-to-maturity debt securities	510	516	6
b. Equity securities issued by affiliates	135,370	420,568	285,197

c. Available-for-sale securities	225,721	225,721	—
TOTAL ASSETS	828,334	1,113,537	285,203
LIABILITIES			
(1) Notes and accounts payable, trade	169,036	169,036	—
(2) Short-term loans payable and long-term debt with current maturities	181,786	181,786	—
(3) Commercial papers	10,999	10,999	—
(4) Bonds due within one year	3,361	3,487	125
(5) Liquor taxes payable	92,553	92,553	—
(6) Income taxes payable	26,544	26,544	—
(7) Bonds	320,070	331,545	11,474
(8) Long-term debt	262,720	266,240	3,519
TOTAL LIABILITIES	1,067,072	1,082,192	15,119
Derivative transactions (*)	(11,017)	(11,017)	—

(*) Derivatives are stated net of assets and liabilities. The figures in parentheses indicate net liabilities.

Notes: 1. Fair value measurement of financial instruments, including securities and derivatives

Assets

(1) Cash and (2) Notes and accounts receivable, trade

The fair value of these items approximates their book value because of their short-term nature. Thus, the book value is used as fair value.

(3) Marketable securities and investment securities

While the fair values of equity securities are measured by market prices at exchange, the fair values of bond securities are measured by the prices obtained from financial institutions, etc.

Liabilities

(1) Notes and accounts payable, trade, (2) Short-term loans payable and long-term debt with current maturities, (3) Commercial papers, (5) Liquor taxes payable, and (6) Income taxes payable

The fair value of these items approximates their book value because of their short-term nature. Thus, the book value is used as fair value.

(4) Bonds due within one year and (7) Bonds

The fair value of bonds issued by the Company and certain consolidated subsidiaries are based on the market price, when market prices are readily available. The fair value of bonds without market price is measured as present value, calculated by discounting the combined total of principal and interest by a rate with the current maturity and credit risk taken into account.

(8) Long-term debt

The fair value of long-term loans payable is measured as present

value, calculated by discounting the combined total of principal and interest by an assumed interest rate(*) for similar new borrowings.
 (*) For long-term debt to which the certain hedging criteria of interest rate swaps is met, present value of the combined total of principal and interest discounted by using the rates of relevant interest rate swaps.

Derivative transactions

The fair value of derivatives is measured by the prices, etc. obtained from financial institutions.

Forward exchange contracts and other instruments, to which the appropriation treatment is applied, are accounted for together with receivables and payables denominated in foreign currencies as a hedged item; therefore, their fair values are included in the fair value of receivables and payables denominated in foreign currencies. The fair value of interest rate swaps which are accounted for using special treatment is included in that of corresponding hedged long-term debt as those interest rate swaps are recorded as an adjustment to interest expense of hedged instruments under the special treatment.

2. Financial instruments deemed extremely difficult to assess their fair value
 (millions of yen)

Classification	Consolidated balance sheet amount
Investment securities	
a. Unlisted equity securities (Equity securities issued by affiliates, etc.)	42,775
b. Unlisted equity securities (Other securities)	24,502
c. Other	33
Guarantee deposits received	73,663

The fair values of these items are not shown in the table above because their market prices are not available and whose fair values are deemed extremely difficult to assess.

(Additional Information)

Effective from this fiscal year, the Company has applied the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 of March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 of March 10, 2008).

Notes to Investment and Rental Property

Disclosures are omitted since the aggregate value of investment and rental property is immaterial.

(Additional Information)

Effective from this fiscal year, the Company has applied the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20 issued on November 28, 2008) and the “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23 issued on November 28, 2008).

Notes to Per Share Information

1. Net assets per share:	¥1,000.51
2. Net income per share:	¥11.95

Notes to Subsequent Events

There is no matter that fall under this item.

Notes to Other Information

1. Impact from inappropriate dealings at a consolidated subsidiary

It was revealed that fraudulent actions, such as failure to record the cost of shipment of sample products intentionally, inappropriate accounting of manipulation of sales recording periods and others, and fictitious sales, fictitious manufacturing, and circular transactions combined of these transactions, had been carried out from prior years by the Fish Feedstuffs Division of Mercian Corp., a consolidated subsidiary of the Company. It was also revealed that in order to conceal these fraudulent actions, falsification of tracking records in internal control and manipulating of stock quantities by imitations had been carried out.

Based on the results of an investigation conducted by an internal investigation committee of Mercian Corp., it has revised the figures recorded for trade accounts receivable, inventories, sales and cost of sales. Due to this revision, the Company has recognized ¥5,300 million loss for prior years as a loss on prior periods adjustment in special expenses, and a income taxes for prior years-deferred amounted to ¥1,169 million as reversal of deferred tax assets in prior years. The losses incurred during the fiscal year ended December 31, 2010, have been recorded in the respective account items.

BALANCE SHEET

(As of December 31, 2010)

(millions of yen)

<u>Assets</u>	
Current Assets	<u>236,984</u>
Cash	9,215
Accounts receivable, trade	302
Short-term loans receivable	213,669
Accrued income	4,786
Income tax receivable	5,092
Deferred tax assets	2,967
Other	1,858
Allowance for doubtful accounts	(907)
Fixed Assets	<u>1,465,763</u>
Property, Plant and Equipment	<u>82,409</u>
Buildings	52,330
Structures	1,845
Machinery and equipment	164
Vehicles	16
Tools	2,373
Land	25,548
Construction in progress	130
Intangible Assets	<u>114</u>
Leasehold rights	60
Trademarks	20
Utility rights	33
Investments and Other Assets	<u>1,383,238</u>
Investment securities	173,714
Investments in subsidiaries and affiliates (capital stock)	1,140,975
Investments in equity of subsidiaries and affiliates (other than capital stock)	21,343
Long-term loans receivable	13,657
Deferred tax assets	27,853
Other	8,483
Allowance for doubtful accounts	(2,789)
<hr/>	
Total Assets	<u>1,702,747</u>
<hr/>	

Liabilities

Current Liabilities **269,810**

Notes payable, trade	16
Short-term loans payable and long-term debt with current maturities	243,760
Commercial papers	10,999
Other accounts payable	2,450
Accrued expenses	2,507
Allowance for employees' bonuses	408
Allowance for bonuses for directors and corporate auditors	153
Other	9,512

Long-term Liabilities **533,550**

Bonds	299,959
Long-term debt	205,850
Employees' pension and retirement benefits	87
Other	27,653

Total Liabilities **803,361**

<u>Net Assets</u>	
Shareholders' Equity	<u>894,530</u>
Common stock	102,045
Capital surplus	<u>81,412</u>
Additional paid-in capital	81,412
Retained earnings	<u>714,033</u>
Legal reserve	25,511
Other retained earnings	688,522
Reserve for deferred gain on sale of property	1,264
General reserve	601,367
Retained earnings brought forward	85,890
Treasury stock, at cost	(2,961)
Valuation and translation adjustments	<u>4,855</u>
Net unrealized holding gains on securities	4,855
<hr/>	
Total Net Assets	899,386
<hr/>	
Total Liabilities and Net Assets	1,702,747
<hr/>	

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

STATEMENT OF INCOME

(From January 1, 2010 to December 31, 2010)

(millions of yen)

Operating revenue		
Group management revenue	17,300	
Revenue from real estate business	8,056	
Dividends revenue from subsidiaries and affiliates	54,611	79,968
	<hr/>	
Operating expenses		
Expenses on real estate business	5,905	
General and administrative expenses	22,454	28,359
	<hr/>	
Operating income		51,608
Non-operating income		
Interest and dividend income	7,682	
Other	2,033	9,715
	<hr/>	
Non-operating expenses		
Interest expenses	11,211	
Other	5,230	16,442
	<hr/>	
Ordinary income		44,881
Special income		
Gain on sale of fixed assets	5,273	
Reversal of allowance for doubtful accounts	398	
Gain on sale of investment securities	10,060	
Gain on sale of shares of subsidiaries and affiliates	154	
Other	804	16,690
	<hr/>	

Special expenses

Loss on sale and retirement of fixed assets	635	
Loss on devaluation of shares in subsidiaries and affiliates	3,020	
Loss on sale of shares in subsidiaries and affiliates	5,518	
Loss on liquidation of receivables in subsidiaries and affiliates	1,274	
Expenses for group strategy project	1,384	
Other	451	12,285
Income before income taxes		49,287
Income taxes – current		2,894
Income taxes - deferred		(706)
Net income		47,099

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

STATEMENT OF CHANGES IN NET ASSETS

(From January 1, 2010 to December 31, 2010)

(millions of yen)

	Shareholders' equity											
	Common stock	Capital surplus			Legal reserve	Retained earnings					Treasury stock	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other retained earnings				Total retained earnings		
						Reserve for special depreciation	Reserve for deferred gain on sale of property	General reserve	Retained earnings brought forward			
Balance as of December 31, 2009	102,045	70,868	713	71,582	25,511	4	1,299	540,367	150,164	717,348	(30,485)	860,490
Changes of items during the period												
Issuance of new shares		10,543		10,543								10,543
Reversal of reserve for special depreciation						(4)			4	-		-
Reversal of reserve for deferred gain on sale of property							(35)		35	-		-
Reserve of general reserve								61,000	(61,000)	-		-
Dividends from surplus									(10,963)	(10,963)		(10,963)
Dividends from surplus (interim dividends)									(11,915)	(11,915)		(11,915)
Net income									47,099	47,099		47,099
Acquisition of treasury stock											(881)	(881)
Disposal of treasury stock			27	27							128	156
Retirement of treasury stock			(28,276)	(28,276)							28,276	-
Transfer to capital surplus from retained earnings			27,535	27,535					(27,535)	(27,535)		-
Net changes of items other than shareholders' equity												
Total changes of items during the period	-	10,543	(713)	9,830	-	(4)	(35)	61,000	(64,274)	(3,314)	27,524	34,040
Balance as of December 31, 2010	102,045	81,412	-	81,412	25,511	-	1,264	601,367	85,890	714,033	(2,961)	894,530

	Valuation and translation adjustments		Total net assets
	Net unrealized holding gains on securities	Total valuation and translation adjustments	
Balance as of December 31, 2009	13,599	13,599	874,090
Changes of items during the period			
Issuance of new shares			10,543
Reversal of reserve for special depreciation			-
Reversal of reserve for deferred gain on sale of property			-
Reserve of general reserve			-
Dividends from surplus			(10,963)
Dividends from surplus (interim dividends)			(11,915)
Net income			47,099
Acquisition of treasury stock			(881)
Disposal of treasury stock			156
Retirement of treasury stock			-
Transfer to capital surplus from retained earnings			-
Net changes of items other than shareholders' equity	(8,743)	(8,743)	(8,743)
Total changes of items during the period	(8,743)	(8,743)	25,296
Balance as of December 31, 2010	4,855	4,855	899,386

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

FOOT NOTES

Significant Accounting Policies

1. Valuation of securities

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

2. Derivative financial instruments

Derivative financial instruments are stated at fair value.

3. Depreciation and amortization of fixed assets

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

4. Method of providing major allowances and reserves

(1) Allowance for doubtful accounts

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

(2) Allowance for employees' bonuses

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

(3) Allowance for bonuses for directors and corporate auditors

The Company provides allowance for bonuses for directors and corporate auditors based on the estimated amounts of payment.

(4) Employees' pension and retirement benefits

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

(Changes in accounting policies)

From this fiscal year, the Company has applied the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008). As a result, there was no effect on operating income, ordinary income and income before income taxes and minority interests. There is also no effect on unamortized actuarial differences caused by application of the Accounting Standards.

5. Hedge accounting

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

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

- (a) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
 - 1) the difference, if any, between the amount in Japanese yen of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and
 - 2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- (b) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

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

6. Consumption taxes

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

Notes to the Balance Sheet

1. Monetary debts due from and to subsidiaries and affiliates	
Short-term monetary debts due from subsidiaries and affiliates	¥218,937 million
Long-term monetary debts due from subsidiaries and affiliates	¥15,959 million
Short-term monetary debts due to subsidiaries and affiliates	¥105,477 million
Long-term monetary debts due to subsidiaries and affiliates	¥2,031 million
2. Accumulated depreciation of property, plant and equipment	¥59,935 million
3. Amount reduced from fixed assets due to government subsidy received and others	¥37 million
4. Assets pledged as collateral and secured borrowing	
(1) Assets pledged as collateral	
Buildings	¥581 million
Land	¥439 million
(2) Secured borrowing	
Deposits received	¥2,296 million
5. Contingent liabilities	
Guarantees for loan from banks and other of subsidiaries and affiliates	¥23,017 million
Guarantees for employee's housing loan from banks	¥3,652 million
	<hr/>
	Total ¥26,669 million

(arrangements similar to guarantees of ¥52 million are included in the above.)

Notes to the Statement of Income

1. Transactions with subsidiaries and affiliates:	
Operating revenue	¥17,902 million
Operating expenses	¥8,124 million
Transactions other than business transactions	¥7,450 million
2. Presentation of gain or loss on currency swaps and forward foreign exchange contracts:	
Gain on currency swaps and forward foreign exchange contracts (¥3,932 million) that are carried to hedge the foreign exchange rates fluctuation risks for loans receivable in foreign currency is presented in "Other" of "Non-operating expenses" after offsetting foreign currency translation loss.	

Notes to the Statement of Changes in Net Assets

Type and number of shares of treasury stock

Type of treasury stock	Common stock
Number of shares as of December 31, 2009	31,166,976 shares
Number of shares increased during the accounting period ended December 31, 2010	727,308 shares
Number of shares decreased during the accounting period ended December 31, 2010	28,896,849 shares
Number of shares as of December 31, 2010	2,997,435 shares

- Notes:
1. Increase in the number of shares was due to purchases of less-than-one-unit shares.
 2. Detail of decrease in the number of shares is as follows.
 - Retirement of treasury stock pursuant to Article 178 of the Corporate Law: 28,765,551 shares
 - Sales of less-than-one-unit shares: 131,298 shares

Notes to Deferred Income Taxes

1. Significant components of deferred tax assets	
Shares of subsidiaries and affiliates	
and investments in equity of subsidiaries and affiliates	¥54,065 million
Loss carried forward	¥5,085 million
Other	¥4,303 million
Sub total	¥63,454 million
Less valuation allowance	(¥28,393 million)
Total deferred tax assets	¥35,061 million
2. Significant components of deferred tax liabilities	
Net unrealized holding gains on securities	(¥3,344 million)
Other	(¥895 million)
Total deferred tax liabilities	(¥4,240 million)

Notes to Transaction with Related Parties

Type	Company name	Ratio of voting rights held by the Company [Indirect ownership]	Relationship with the Company	
			Directors and corporate auditors	Business relationship
Subsidiary	Lion Nathan National Foods Pty Ltd	100%	Concurrent 1	Consignment of management guidance service Financial support
Subsidiary	Lion Nathan Ltd.	Indirect 100%	-	Guarantees
Subsidiary	Kirin Brewery Co., Ltd.	100%	Concurrent 1	Consignment of management guidance service Lending and borrowing funds
Subsidiary	Kirin Beverage Co., Ltd.	100%	Concurrent 1	Consignment of management guidance service Lending and borrowing funds
Subsidiary	Kirin Business Expert Co., Ltd.	100%	Concurrent 2	Consignment of management guidance service Lending and borrowing funds Consignment of indirect business
Subsidiary	Kyowa Hakko Kirin Co., Ltd.	51%	Concurrent 1	Lending and borrowing funds

Type	Company name	Transaction details	Transaction amount (millions of yen)	Item	Balance at end of period (millions of yen)
Subsidiary	Lion Nathan National Foods Pty Ltd	Lending of loans (Note 1)	16,626	Short-term loans receivable	97,224
		Interest income (Note 1)	4,239	Other current assets	107
Subsidiary	Lion Nathan Ltd.	Guarantees (Note 2)	22,695	-	-
Subsidiary	Kirin Brewery Co., Ltd.	Lending of loans (Notes 1 and 3)	136,070	Short-term loans receivable	104,795
		Management fee Brand royalty (Notes 4 and 5)	13,188	Other current assets	3,614
Subsidiary	Kirin Beverage Co., Ltd.	Borrowing of funds (Notes 3 and 6)	22,811	Short-term loans payable	23,857
Subsidiary	Kirin Business Expert Co., Ltd.	Consignment of indirect business (Note 7)	5,646	Accrued expenses	499
Subsidiary	Kyowa Hakko Kirin Co., Ltd.	Borrowing of funds (Notes 3 and 6)	41,287	Short-term loans payable	53,199

Conditions of transactions and policy regarding determination of conditions of transactions
Notes:

1. Interest rates of loans receivable are determined rationally by taking market interest rates into consideration.
2. The Company provides the guarantee to privately placed U.S. bond of Lion Nathan Ltd.
3. Lending and borrowing of funds is a transaction based on CMS (Cash Management System) and transaction amounts show average outstanding balance during this fiscal year.
4. Management fees are determined by taking business nature into consideration after mutual consultation.
5. Brand royalties are determined as consideration for the use of brand after mutual consultation.
6. Interest rates of loans payable are determined rationally by taking market interest rates into consideration.
7. The subsidiary is the functionally separated cost-center. The Company pays consignment fees to cover the operating expenses of the subsidiary.
8. Transaction amounts above do not include foreign exchange gains or losses, but balances at end of period include those. Transaction amounts do not include consumption taxes.

Notes to Per Share Information

1. Net assets per share:	¥934.91
2. Net income per share:	¥49.38

Notes to Subsequent Events

There is no matter that fall under this item.

Independent Auditors' Report

February 10, 2011

The Board of Directors
Kirin Holdings Company, Limited

KPMG AZSA LLC.

Tsutomu Takahashi (Seal)
Designated Limited Liability Partner
Certified Public Accountant

Masakazu Hattori (Seal)
Designated Limited Liability Partner
Certified Public Accountant

Shozo Tokuda (Seal)
Designated Limited Liability Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and footnotes of Kirin Holdings Company, Limited as of December 31, 2010 and for the year from January 1, 2010 to December 31, 2010 in accordance with Article 444 (4) of the Corporate Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

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

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

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

Independent Auditors' Report

February 10, 2011

The Board of Directors
Kirin Holdings Company, Limited

KPMG AZS A L L C.

Tsutomu Takahashi (Seal)
Designated Limited Liability Partner
Certified Public Accountant

Masakazu Hattori (Seal)
Designated Limited Liability Partner
Certified Public Accountant

Shozo Tokuda (Seal)
Designated Limited Liability Partner
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and footnotes, and its supporting schedules of Kirin Holdings Company, Limited as of December 31, 2010 and for the 172nd business year from January 1, 2010 to December 31, 2010 in accordance with Article 436 (2) (i) of the Corporate Law. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

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

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

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

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

Corporate Auditors' Report

February 16, 2011

Mr. Senji Miyake,
Representative Director and President
Kirin Holdings Company, Limited

Board of Corporate Auditors
Kirin Holdings Company, Limited

Hitoshi Oshima (Seal)
Standing Corporate Auditor

Tetsuo Iwasa (Seal)
Standing Corporate Auditor

Toyoshi Nakano (Seal)
Outside Corporate Auditor

Teruo Ozaki (Seal)
Outside Corporate Auditor

Kazuo Tezuka (Seal)
Outside Corporate Auditor

We the Board of Corporate Auditors of the Company, based on the audit reports prepared by each Corporate Auditor regarding the performance of duties by the Directors during the 172nd business year from January 1, 2010, to December 31, 2010, prepared this audit report upon deliberation and hereby report, by a unanimous show of hands, as follows:

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

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

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

visited subsidiaries whenever necessity arose to make investigation into the state of activities and property thereof. Based on the above methods, we examined the business report and supporting schedules for the relevant business year.

Furthermore, we monitored and verified whether the Independent Auditors maintained their independence and implemented appropriate audits, and we received reports from the Independent Auditors regarding the state of performance of their duties and sought explanations whenever necessity arose. In addition, we received notice from the Independent Auditors that “The systems for ensuring the proper performance of duties” (matters set forth in each item of Article 131 of the Regulations of Corporate Financial Calculation) is organized in accordance with the “Standards for Quality Control of Audit” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations whenever necessity arose. Based on the above methods, we examined the financial statements (balance sheet, statement of income, statement of changes in net assets, and foot notes) and supporting schedules related to the relevant business term, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and foot notes).

2. Results of Audit

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

1. In our opinion, the business report and supporting schedules fairly presents the state of the Company in accordance with the laws, regulations and Articles of Incorporation.
2. In connection with the performance of duties by the Directors, no dishonest act or material fact of violation of laws, regulations, or the Articles of Incorporation exists.
3. In our opinion, the contents of the resolutions of the Board of Directors regarding the internal controls system are fair and reasonable. In addition, we have found nothing to be pointed out in relation to the performance of duties by the Directors regarding the internal controls system. As described in the Business Report, it came to light that a consolidated subsidiary of the Company had engaged in inappropriate accounting practices; and therefore, the Company recognized a special expense. We have found that, in connection with this matter, the Directors are taking measures to further enhance internal control and subsidiary governance from the perspective of preventing such a matter from recurring.

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

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

(3) Results of Audit of consolidated financial statements

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

Reference Documents for the General Meeting of Shareholders

Propositions and information:

Proposition No. 1: Dividend and disposition of surplus

1. Dividend of surplus

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

In due consideration of the Company's current results, the dividend payout ratio, the future management measures, and the Company's practice of providing stable dividends to shareholders, management proposes the payment of an ordinary dividend of ¥12.50 per share, as set forth hereunder. As a result, the annual dividend will amount to ¥25 per share (an increase of ¥2 per share from the previous term), including an interim dividend of ¥12.50 per share.

1. Dividend of surplus

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

¥12.50 per share of the Company's common shares Total amount: ¥12,025,032,063

- (2) Effective date of dividend of surplus

March 30, 2011

2. Disposition of surplus

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

General reserve ¥22,000,000,000

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

Retained earnings brought forward ¥22,000,000,000

Proposition No. 2: Election of nine (9) Directors

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

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

The candidates for the positions of Director are as follows:

No.	Name (Date of birth)	Profile, title, responsibilities and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
1.	Kazuyasu Kato (November 24, 1944)	April 1968 Joined the Company March 1997 General Manager of Hokkaido Regional Head Office March 2000 Director and General Manager of Kyushu Regional Head Office October 2001 Director and General Manager of Sales Dept. of Sales & Marketing Div. March 2002 Director, Vice President of Sales & Marketing Div., and General Manager of Sales Dept. of Sales & Marketing Div. March 2003 Managing Executive Officer and President of Sales & Marketing Div. March 2004 Managing Director, Managing Executive Officer, and President of Sales & Marketing Div. March 2006 Representative Director and President March 2010 Director & Chairman (positions which he continues to hold)	89,425 shares

No.	Name (Date of birth)	Profile, title, responsibilities and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
2.	Senji Miyake (January 26, 1948)	<p>April 1970 Joined the Company</p> <p>March 1997 General Manager of Sales Promotion for On-Premise Dept. 1 of Sales & Marketing Div.</p> <p>September 1998 General Manager of Sales Dept. of Sales & Marketing Div.</p> <p>March 2000 General Manager of Off-Premise Sales Dept. of the Metropolitan Regional Sales & Marketing Div.</p> <p>October 2001 General Manager of the Tokai Regional Sales & Marketing Div.</p> <p>March 2002 Director and General Manager of the Tokai Regional Sales & Marketing Div.</p> <p>March 2003 Executive Officer and General Manager of the Tokai Regional Sales & Marketing Div.</p> <p>March 2004 Managing Executive Officer and General Manager of the Metropolitan Regional Sales & Marketing Div.</p> <p>September 2005 Managing Executive Officer and General Manager of the Metropolitan Regional Sales & Marketing Div.</p> <p>March 2006 Managing Executive Officer and President of Beer, Wine, and Spirits Div.</p>	70,000 shares

No.	Name (Date of birth)	Profile, title, responsibilities and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
		<p>July 2007 Representative Director and President of Kirin Brewery Co., Ltd.</p> <p>March 2009 Representative Director and Executive Vice President of the Company</p> <p>March 2010 Representative Director and President (positions which he continues to hold)</p>	

No.	Name (Date of birth)	Profile, title, responsibilities and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
3.	Yoshiharu Furumoto (January 30, 1950)	<p>April 1973 Joined the Company</p> <p>April 2002 General Manager of Spirits & Wine Dept. of Sales & Marketing Div.</p> <p>September 2003 Assistant to General Manager of Sales & Marketing Div.</p> <p>March 2004 Executive Officer and General Manager of Corporate Planning Dept.</p> <p>March 2006 Executive Officer and General Manager of Group Strategy Dept.</p> <p>March 2007 Managing Executive Officer and General Manager of Strategic Planning Dept.</p> <p>March 2008 Managing Director</p> <p>October 2009 Director of Lion Nathan National Foods Pty Ltd (an office which he holds now)</p> <p>March 2010 Representative Director and Managing Director of the Company (positions which he continues to hold)</p> <p>[Responsible for Group Financial Strategy and PR & IR Strategy]</p>	16,000 shares

No.	Name (Date of birth)	Profile, title, responsibilities and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
4.	Yoshinori Isozaki (August 9, 1953)	<p>April 1977 Joined the Company</p> <p>March 2004 Executive Director of San Miguel Corporation (Philippines)</p> <p>March 2007 General Manager of Corporate Planning Dept. of the Company</p> <p>March 2008 Executive Officer and General Manager of Corporate Planning Dept.</p> <p>March 2009 Managing Executive Officer and General Manager of Corporate Planning Dept.</p> <p>March 2010 Director of the Board of Kyowa Hakko Kirin Co., Ltd. (an office which he holds now)</p> <p>March 2010 Managing Director of the Company (a position which he continues to hold)</p> <p>May 2010 Director of San Miguel Brewery, Inc. (an office which he holds now)</p> <p>[Responsible for CSR & Risk Management & Compliance and Group Procurement Strategy]</p>	5,000 shares

No.	Name (Date of birth)	Profile, title, responsibilities and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
5.	Hirotake Kobayashi (December 25, 1954)	<p>April 1977 Joined the Company</p> <p>March 2002 Deputy General Manager of Finance & Accounting Dept.</p> <p>March 2007 Executive Officer and General Manager of Finance & Accounting Dept.</p> <p>July 2007 General Manager of Finance & Accounting Dept. of Kirin Business Expert Co., Ltd.</p> <p>March 2008 Executive Officer and General Manager of Strategic Planning Dept. of the Company</p> <p>March 2009 Managing Executive Officer and General Manager of Strategic Planning Dept.</p> <p>March 2010 Managing Director (a position which he continues to hold)</p> <p>March 2010 President of Kirin Business Expert Co., Ltd. (changed its company name to Kirin Group Office Co., Ltd. as of January 1, 2011) (offices which he holds now)</p> <p>December 2010 Director of Fraser and Neave Ltd. (an office which he holds now)</p> <p>[Responsible for Group Business Investment and Alliance Strategy and Group Information Strategy]</p>	5,000 shares

No.	Name (Date of birth)	Profile, title, responsibilities and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
6.	Hajime Nakajima (October 3, 1953)	<p>April 1977 Joined the Company</p> <p>March 2004 General Manager of Purchasing Dept.</p> <p>March 2006 General Manager of Nagoya Plant of Production Dept. of Beer, Wine, and Spirits Div.</p> <p>March 2007 Executive Officer and General Manager of Nagoya Plant of Production Dept. of Beer, Wine, and Spirits Div.</p> <p>July 2007 Executive Officer and General Manager of Nagoya Plant of Production Dept. of Kirin Brewery Co., Ltd.</p> <p>March 2008 Executive Officer and General Manager of Production & Quality Control Dept. of Production Div. of Kirin Brewery Co., Ltd.</p> <p>March 2009 Managing Director and General Manager of Production Div. of Kirin Brewery Co., Ltd. (positions which he continues to hold)</p>	15,102 shares

No.	Name (Date of birth)	Profile, title, responsibilities and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
7.	Hiroshi Ogawa (August 12, 1955)	<p>April 1979 Joined the Company</p> <p>March 2004 Director and General Manager of General Affairs Dept. of Kirin Logistics Co., Ltd.</p> <p>March 2006 General Manager of Personnel Dept. of the Company</p> <p>July 2007 General Manager of Personnel & Administration Dept.</p> <p>March 2008 Executive Officer and General Manager of Personnel & Administration Dept.</p> <p>March 2010 Executive Officer and General Manager of Corporate Communications Dept. (positions which he continues to hold)</p>	5,102 shares

No.	Name (Date of birth)	Profile, title, responsibilities and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
8.	Shigemitsu Miki (April 4, 1935)	<p>April 1958 Joined The Mitsubishi Bank, Limited</p> <p>June 2000 President of The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>April 2001 President and Representative Director of Mitsubishi Tokyo Financial Group, Inc.</p> <p>June 2004 Chairman and Representative Director of The Bank of Tokyo-Mitsubishi, Ltd. Director of Mitsubishi Tokyo Financial Group, Inc.</p> <p>October 2005 Director of Mitsubishi UFJ Financial Group, Inc.</p> <p>January 2006 Chairman and Representative Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>April 2008 Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>March 2010 Director of the Company (a position which he continues to hold)</p> <p>April 2010 Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (an office which he holds now)</p>	0 shares

No.	Name (Date of birth)	Profile, title, responsibilities and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
9.	Toshio Arima (May 31, 1942)	<p>April 1967 Joined Fuji Xerox Co., Ltd.</p> <p>June 2002 President and Representative Director of Fuji Xerox Co., Ltd.</p> <p>October 2006 Director of FUJIFILM Holdings Corporation</p> <p>June 2007 Director and Executive Advisor to the Board of Fuji Xerox Co., Ltd.</p> <p>June 2008 Executive Corporate Advisor of Fuji Xerox Co., Ltd. (an office which he holds now)</p>	0 shares

- (Notes)
1. No conflict of interests exists between the Company and each candidate.
 2. Messrs. Shigemitsu Miki and Toshio Arima are candidates for outside Directors, as provided for under Article 2, paragraph (3), item (vii) of the Regulations for Enforcement of the Corporate Law.
 3. The Company has nominated Messrs. Miki and Arima as outside Directors because of its expectation that, from their considerable experiences acquired over many years as corporate executives, they will provide valuable opinions and suggestions to the management of the Company.
 4. The Bank of Tokyo-Mitsubishi UFJ, Ltd., where Mr. Miki held a position of Director, received an order for business improvement from the Financial Services Agency (of Japan) for the impropriety that there were legal compliance management problems associated with certain transactions. Related to its preventive measures against money laundering in the U.S., this bank also received an order for business improvement from the US federal regulator and the Financial Services Agency (of Japan).
Moreover, Nippon Steel Corporation, where he holds a position of outside corporate auditor, received a payment order for surcharge for the violation of the Antimonopoly Law in relation to its orders received concerning steel bridge superstructure work and others. Although he had not perceived the impropriety in advance, he has properly audited the status of compliance with relevant laws and regulations including the Antimonopoly Law and has given advice to directors and relevant personnel from time to time. After the fact was revealed, he strongly demanded the directors to recheck the status of compliance with the Antimonopoly Law and to make efforts to establish measures to prevent the matter from recurring and, in addition, has audited the status of compliance with laws and regulations of the directors.

5. Mr. Miki was Chairman and Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (former The Bank of Tokyo-Mitsubishi, Ltd. until December 2005) from June 2004 to March 2008. It is a bank with which the Company has major transactions.
6. Mr. Miki receives compensation from The Bank of Tokyo-Mitsubishi UFJ, Ltd., a bank with which the Company has major transactions and for which he serves as a Senior Advisor.
7. Mr. Miki will have served as an outside Director of the Company for one (1) year (as of the close of this Ordinary General Meeting of Shareholders).

Proposition No. 3: Election of three (3) Corporate Auditors

Upon the close of this Ordinary General Meeting of Shareholders, the term of office of three (3) Corporate Auditors, namely Messrs. Hitoshi Oshima, Tetsuo Iwasa and Toyoshi Nakano will expire.

Accordingly, the shareholders are requested to elect three (3) Corporate Auditors.

The Board of Corporate Auditors has consented to this proposition.

The candidates for the position of Corporate Auditor are as follows:

No.	Name (Date of birth)	Profile, title and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
1.	Kazuyoshi Suzusho (March 29, 1953)	April 1977 Joined the Company March 2003 General Manager of General Affairs Dept. of Pharmaceutical Div. July 2007 General Manager of Personnel & Administration Dept. of Kirin Brewery Co., Ltd. March 2008 Executive Officer and General Manager of Personnel & Administration Dept. of Kirin Brewery Co., Ltd. March 2010 Managing Executive Officer and General Manager of Personnel & Administration Dept. of Kirin Brewery Co., Ltd. (positions which he continues to hold)	4,000 shares

No.	Name (Date of birth)	Profile, title and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
2.	Naoki Hyakutake (May 8, 1954)	<p>April 1977 Joined the Company</p> <p>March 2006 General Manager of Strategic Planning Group of Group Strategy Dept.</p> <p>March 2007 General Manager of Strategic Planning Dept. of Beer, Wine, and Spirits Div.</p> <p>July 2007 General Manager of Planning Dept. of Kirin Brewery Co., Ltd.</p> <p>March 2009 General Manager of Internal Audit Dept. of the Company (a position which he continues to hold)</p> <p>March 2010 Corporate Auditor of Mercian Corp. (an office which he holds now)</p>	17,152 shares

No.	Name (Date of birth)	Profile, title and important positions concurrently held at other companies	Number of shares of the Company held by the candidate
3.	Nobuyuki Oneda (May 6, 1945)	<p>April 1969 Joined Sony Corporation</p> <p>June 2005 Corporate Executive Officer, Executive Vice President and Chief Financial Officer of Sony Corporation</p> <p>April 2009 Representative Corporate Executive Officer, Executive Vice President and Chief Financial Officer of Sony Corporation</p> <p>June 2009 Member of the Board, Representative Corporate Executive Officer, Executive Deputy President and Chief Financial Officer of Sony Corporation</p> <p>June 2010 Retired Sony Corporation (to the present)</p>	0 shares

- (Notes)
1. No conflict of interests exists between the Company and each candidate.
 2. Mr. Nobuyuki Oneda is a candidate for an outside Corporate Auditor, as provided for under Article 2, paragraph (3), item (viii) of the Regulations for Enforcement of the Corporate Law.
 3. The Company has nominated Mr. Oneda as an outside Corporate Auditor because it believes that he will execute the duties of this office appropriately based on his extensive experience and a broad range of knowledge and deep insight into corporate management accumulated over long years of being in management.

Proposition No. 4: Presentation of bonuses to corporate officers

In due consideration of the Company's current consolidated results, management proposes the payment of bonuses of ¥141.94 million in total to nine (9) Directors who held office as of the end of this fiscal year (of which, ¥2.0 million will be paid to two (2) outside Directors). It also proposes the payment of bonuses of ¥14.46 million in total to five (5) Corporate Auditors who held office as of the end of this fiscal year (of which, ¥3.0 million will be paid to three (3) outside Corporate Auditors).

- END -