Disclosed Information on the Internet at the Time of Notifying Convocation of the 175th Annual General Meeting of Shareholders

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All matters above are provided to shareholders of the Company on the website of the Company on the Internet (http://www.kirinholdings.co.jp/english/ir/) in accordance with all laws and Article 15 of the Articles of Incorporation of the Company.

Kirin Holdings Company, Limited

Notes to Consolidated Financial Statements

Significant Accounting Policies

1. Consolidation

(1) Consolidated subsidiaries: 236 companies

Major consolidated subsidiaries: Kirin Brewery Co., Ltd., Kirin Beer Marketing Co., Ltd., Mercian Corporation, Kirin Beverage Co., Ltd., Lion Pty Ltd, Brasil Kirin Participações e Representações S.A., Kyowa Hakko Kirin Co., Ltd.

Changes in the scope of consolidation during the year ended December 31, 2013 are as follows:

(a) Due to new acquisition, 1 subsidiary of Lion Pty Ltd became a consolidated subsidiary.

(b) Due to sale of shares, 1 subsidiary of Lion Pty Ltd, Kirin Kyowa Foods Co., Ltd. and its 3 subsidiaries, and PT.KIRIN-MIWON FOODS were excluded from the consolidation scope.

(c) Due to partial sale of shares, Yokohama Akarenga Inc. was excluded from the consolidation scope.

(d) Due to merger, Kirin MC Danone Waters Co., Ltd., 2 subsidiaries of Kirin Beverage Co., Ltd., 1 subsidiary of Lion Pty Ltd, Kirin Holdings Investments Brasil Participações Ltda., Aleadri-Schinni Participações e Representações Ltda., Jadangil Participações e Representações Ltda., 4 subsidiaries of Brasil Kirin Participações e Representações S.A., and 1 subsidiary of Kyowa Hakko Kirin Co., Ltd. were excluded from the consolidation scope.

(e) Due to liquidation, 1 subsidiary of Mercian Corporation, 1 subsidiary of Kyowa Hakko Kirin Co., Ltd., and Kamakura Kaihin Hotel Co., Ltd. were excluded from the consolidation scope.

(2) Major unconsolidated subsidiary: Chiyoda Transportation Co., Ltd.

Certain subsidiaries, including Chiyoda Transportation Co., Ltd., are excluded from the scope of consolidation because they are small in scale and the effect of their total assets, sales, the Company's share of net income or losses and retained earnings on the consolidated financial statements is immaterial.

2. Equity method

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

Unconsolidated subsidiary: Japan Synthetic Alcohol Co., Ltd.

The Company owns 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: 15 companies

Major affiliated companies: San Miguel Brewery Inc., China Resources Kirin Beverages (Greater China) Co., Ltd., Kirin-Amgen, Inc.

Changes in the scope of application of the equity method during the year ended December 31, 2013 are as follows:

(a) Due to change in classification of consolidated subsidiaries after partial sale of shares, Yokohama Akarenga Inc. became an affiliate accounted for by the equity method.

(b) Due to sale of shares, 1 affiliate of Lion Pty Ltd and 2 affiliates of Kirin Kyowa

Foods Co., Ltd. were excluded from the scope of application of the equity method.

(3) Certain investments in unconsolidated subsidiaries including Chiyoda Transportation Co., Ltd. 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 the Company's share of their net income or losses and retained earnings on the accompanying consolidated financial statements is immaterial individually and as a whole.

(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 and for the years then ended for applying the equity method.

(5) The Company accounts for San Miguel Brewery Inc. and China Resources Kirin Beverages (Greater China) Co., Ltd. (fiscal year ended December 31) by the equity method. It is difficult for the Company to prepare its consolidated financial statements based on the final year-end figures of the above two companies due to the early disclosure of the consolidated business performance. As such, their financial statements are based on 12 months from the fourth quarter of the previous fiscal year to the third quarter of this fiscal year.

3. Fiscal year-ends of consolidated subsidiaries

The consolidated subsidiaries with a fiscal year-end which is different from that of the Company includes Lion Pty Ltd and its subsidiaries, whose year end is September 30. The Company used the financial statements of the companies as of their fiscal year-ends and for the years then ended for consolidation and made necessary adjustments for major transactions between the fiscal year-ends of the consolidated subsidiaries and the fiscal year-end of the Company.

4. Accounting policies

(1) Measurement of significant 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 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 the lower of cost determined by the periodic average method and net realizable value.
2) Raw materials, containers and supplies are mainly stated at the lower of cost determined by the moving-average method and net realizable value.
3) Cost of uncompleted construction contracts is stated at cost determined by the specific identification method.

(2) Property, plant and equipment and intangible assets

(a) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated loss on impairment. Depreciation for the Company and its 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 overseas consolidated subsidiaries is calculated using the straight-line method.

(b) Intangible assets (excluding leased assets)

1) The Company and its 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) Leased assets

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

1) Depreciation is calculated by 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) Allowances and reserves

(a) Allowance for doubtful accounts

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

(b) Allowance for employees' bonuses

The Company and its consolidated subsidiaries provide allowance for employees' bonuses based on the estimated amounts payable.

(c) Allowance for bonuses for directors and company auditors

The Company and its consolidated subsidiaries provide allowance for bonuses for directors and company auditors based on the estimated amounts payable.

(d) Employees' pension and retirement benefits

The Company and its 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 remaining service period, which is mainly 10 to 15 years, beginning from the following fiscal year.

(e) Retirement benefits for directors and company auditors

Provision for retirement benefits for directors and company auditors represents the full accrued amount of such retirement benefit obligations as of the balance sheet date calculated in accordance with the policies of the Company and its consolidated subsidiaries.

(f) Reserve for repairs and maintenance of vending machines

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

(g) Reserve for environmental measures

The Company and its consolidated subsidiaries provide reserve for environmental measures based on the estimated amount payable.

(h) Reserve for loss on litigation

Consolidated subsidiaries of the Company in Brazil provide reserve for estimated losses to be incurred on tax litigation and other matters.

(i) Allowance for loss on plants reorganization

The Company and its consolidated subsidiaries provide allowance for reasonably estimated losses to be incurred in connection with plants reorganization.

(4) Hedge accounting

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains and losses resulting from changes in fair value of derivative financial instruments as "deferred gains or losses on hedges" in accumulated other comprehensive income in the consolidated balance sheet until the related gains and losses 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) 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 15 and 20 years. Any immaterial amounts are fully recognized as expenses as incurred.

(6) Consumption taxes

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

Changes in Accounting Policies

Changes in accounting policies which are difficult to distinguish from changes in accounting estimates
Effective from the fiscal year ended December 31, 2013, the Company and its consolidated domestic subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after January 1, 2013 in accordance with the amendment of the Corporation Tax Act of Japan.
The effect of this change on the operating income, ordinary income, and income before income taxes and minority interests for the fiscal year ended December 31, 2013 was immaterial.

Change in Presentation

Consolidated statement of income
Effective from the year ended December 31, 2013, “Net foreign currency translation gain” included in “Other” of “Non-operating income” in the previous fiscal year has been separately stated as its amount has become material. “Net foreign currency translation gain” included in “Other” for the previous fiscal year amounted to ¥1,729 million.

Effective from the year ended December 31, 2013, “Insurance income” which was separately stated in “Special income” in the previous fiscal year has been included in “Other” as its amount has become immaterial (¥713 million) for the current fiscal year.

Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment ¥1,158,403 million

2. Amount deducted from property, plant and equipment due to subsidies received from governments and others ¥787 million

3. Assets pledged as collateral and secured borrowings

(1) Assets pledged as collateral

Buildings and structures		¥472 million
Machinery, equipment and vehicles		¥15,029 million
Land		¥439 million
	Total	¥15,940 million

(2) Secured borrowings

Short-term loans payable and long-term debt with current maturities		¥2,293 million
Long-term debt		¥12,736 million
Deposits received		¥3,266 million
	Total	¥18,295 million

4. Contingent liabilities

(1) Guarantees for loans from banks and others of employees		¥1,935 million
(2) Guarantees for loans from banks and others of customers		¥1,170 million
	Total	¥3,105 million

5. Tax litigation and other matters

Consolidated subsidiaries of the Company in Brazil are in tax-related litigation with the tax authority over ICMS (State Value-Added Tax), PIS (Social Integration Program), COFINS (Social Security Contribution) and others, in addition to labor-related litigation and civil lawsuits. Although “Reserve for loss on litigation” has been recorded in order to provide for the expected losses on these litigation and lawsuits, BRL1,415,228 thousand (¥63,671 million) associated with tax-related litigation, BRL243,141 thousand (¥10,938 million) associated with labor-related litigation and BRL219,440 thousand (¥9,872 million) associated with civil lawsuits have not been recorded as reserves as of December 31, 2013, because the risks of losses in the future are classified by management as only possible upon consideration of the individual risks of each contingent event based on the opinion of outside legal advisers.

6. Trade notes discounted ¥62 million

Notes to the Consolidated Statement of Income

1. Presentation of gain or loss on currency swaps and forward foreign exchange contracts
   Net foreign currency translation gain is stated after offsetting loss on currency swaps and forward foreign exchange contracts (¥2,132 million) that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies.

2. Gain on sale of investment securities
   Gain on sale of investment securities consists mainly of gain on sale of shares of Fraser and Neave Limited amounting to ¥46,261 million.

3. Loss on applying special taxation measures of foreign subsidiaries
   Consolidated subsidiaries of the Company in Brazil are in tax-related litigations with the tax authority over ICMS (State Value-Added Tax) and others. Since a special taxation measure for the ICMS in dispute in Sao Paulo State has been implemented from March 2013, in which interest and other charges are exempted from taxation at a certain rate if the tax is paid, the consolidated subsidiary has applied this measure to certain items and recorded such payment as "Special expenses."

Notes to the Consolidated Statement of Changes in Net Assets

1. Type and number of shares outstanding and treasury stock

(1) Shares outstanding

Type of shares outstanding	common stock
Number of shares as of January 1, 2013	965,000,000 shares
Number of shares increased during the year ended December 31, 2013	—
Number of shares decreased during the year ended December 31, 2013	—
Number of shares as of December 31, 2013	965,000,000 shares

(2) Treasury stock

Type of treasury stock	common stock
Number of shares as of January 1, 2013	3,502,064 shares
Number of shares increased during the year ended December 31, 2013	32,175,656 shares
Number of shares decreased during the year ended December 31, 2013	18,285 shares
Number of shares as of December 31, 2013	35,659,435 shares

Notes:
1. Increase in the number of shares was due to purchases of 275,656 less-than-one-unit shares and acquisition of 31,900,000 shares based on the resolution of the Board of Directors.
2. Decrease in the number of shares was due to sales of less-than-one-unit shares.

2. Matters related to dividends

(1) Dividend payments

Approvals by Annual General Meeting of Shareholders held on March 28, 2013 were as follows:

Dividend on Common Stock

a. Total amount of dividend	¥14,903 million
b. Dividend per share	¥15.50
c. Record date	December 31, 2012
d. Effective date	March 29, 2013

Approvals by the Board of Directors Meeting held on August 1, 2013 were as follows:

Dividend on Common stock

a. Total amount of dividend	¥17,017 million
b. Dividend per share	¥18.00
c. Record date	June 30, 2013
d. Effective date	September 5, 2013

(2) Dividends whose record date is attributable to, but to be effective after, the year ended December 31, 2013.

Matters to be discussed by Annual General Meeting of Shareholders to be held on March 27, 2014 are as follows:

Dividend on Common Stock

a. Total amount of dividend	¥16,728 million
b. Source of dividends	Retained earnings
c. Dividend per share	¥18.00
d. Record date	December 31, 2013
e. Effective date	March 28, 2014

Notes for Financial Instruments

1. Overview of 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 paper and bonds. Temporary surplus funds are invested in highly secure financial assets such as time deposits. Derivatives are used, not for speculative purpose, but to avoid the risks mentioned below.

(2) Types of financial instruments and related risks

Trade receivables, such as notes and accounts receivable, trade, 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 notes and accounts payable, trade, have payment due dates within one year. Some 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 paper is mainly to fund short-term working capital and the purpose of long-term debt and bonds is mainly to fund necessary amounts for investments 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 enter 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 trade 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 utilize forward foreign

exchange contracts to hedge 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 review their fair values and the financial position of the issuers. Additionally, the Company and its consolidated subsidiaries continuously evaluate 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 their obligations on scheduled due dates)

In order to manage liquidity risk, the Company and its consolidated subsidiaries timely prepare and update cash flow plans based upon the report from each division and maintain 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. Fair values of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of December 31, 2013, their fair values, and the differences. Financial instruments whose fair values are deemed extremely difficult to assess are not included.

(¥ millions)

	Book value	Fair value	Difference
ASSETS			
(1) Cash and time deposits	113,759	113,759	—
(2) Notes and accounts receivable, trade	396,113	396,113	—
(3) Marketable securities and investment securities			
a. Held-to-maturity debt securities	30	30	0
b. Available-for-sale securities	140,654	140,654	—
Total assets	650,557	650,557	0
LIABILITIES			
(1) Notes and accounts payable, trade	155,863	155,863	—
(2) Short-term loans payable and long-term debt with current maturities	118,410	118,410	—
(3) Bonds due within one year	30,000	30,171	171
(4) Liquor taxes payable	82,718	82,718	—
(5) Income taxes payable	28,429	28,429	—
(6) Bonds	259,454	271,277	11,823
(7) Long-term debt	383,213	385,714	2,501
Total liabilities	1,058,088	1,072,584	14,495
Derivative transactions(*)	(10,611)	(10,611)	—

(*) Derivatives are stated as the 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 time deposits and (2) Notes and accounts receivable, trade

The fair value of these items approximates their book value because of their short-term nature.

(3) Marketable securities and investment securities

The fair values of equity securities are measured based on market prices. The fair values of bond securities are measured by the prices obtained from financial institutions.

LIABILITIES

(1) Notes and accounts payable, trade, (2) Short-term loans payable and long-term debt with current maturities, (4) Liquor taxes payable, and (5) Income taxes payable

The fair value of these items approximates their book value because of their short-term nature.

(3) Bonds due within one year and (6) 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 the 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.

(7) Long-term debt

The fair value of long-term debt is measured as the present value, calculated by discounting the combined total of principal and interest by an assumed interest rate for similar new borrowings.

However, for long-term debt which is the hedged item for interest rate swaps and certain hedging criteria are met, the present value of the combined total of principal and interest is discounted by using the rates of relevant interest rate swaps.

Derivative transactions

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

Forward foreign exchange contracts and other instruments for which the appropriation treatment is applied are accounted for together with the receivables and payables denominated in foreign currencies as the hedged item; therefore, their fair values are included in the fair value of the hedged receivables and payables denominated in foreign currencies.

The fair value of interest rate swaps which are accounted for using the special treatment is included in that of the 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. Book values of financial instruments for which fair values are deemed extremely difficult to assess

(¥ millions)

Classification	Consolidated balance sheet amount
Investment securities	
a. Unlisted equity securities (Equity securities issued by affiliates and others)	215,997
b. Unlisted equity securities (Other securities)	20,594
c. Other	32
Investments and other assets-other	
a. Investments in equity of affiliates and others	294
Deposits received	62,033

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

3. San Miguel Brewery Inc., an overseas affiliate accounted for by the equity method, became unlisted in May 2013, and thus shares in the company were reclassified at the end of the fiscal year ended December 31, 2013 to financial instruments for which fair values are deemed extremely difficult to assess.

Notes for Per Share Information

1. Net assets per share:	¥1,157.66
2. Net income per share:	¥90.76

Notes for Subsequent Events

There are no matters to report under this item.

Notes for Business Combinations

Business divestitures
The Company signed a share transfer agreement on March 18, 2013 for the transfer of all shares of its consolidated subsidiary, Kirin Kyowa Foods Co., Ltd. to Mitsubishi Corporation, and transferred approximately 81% of the outstanding shares on July 1, 2013. The transfer of the remaining shares will take place on January 1, 2015.
Through its wholly-owned subsidiary, Kirin Kyowa Foods Co., Ltd., the Company had developed businesses including the seasonings and food ingredients business focusing on natural seasonings (yeast extract, amino acids and other extracts), brewed seasonings, savory (or *umami*) seasonings and bakery materials. High growth is expected to be seen in the food ingredient and additive market globally, particularly in China and other Asian countries, spurred by expansion of the processed food industry due to economic growth. In consideration of the future growth strategy for Kirin Kyowa Foods Co., Ltd., the Company has decided to transfer the business of Kirin Kyowa Foods Co., Ltd. to Mitsubishi Corporation. The Company has concluded that Kirin Kyowa Foods Co., Ltd. will be able to conduct diverse development and aim for further growth through cooperation with Mitsubishi Corporation and its related companies, which has a strong global network, while playing a role as the core food and seasoning ingredients business within Mitsubishi Corporation as it is expanding its business strengths in the food science field.

(1) Overview of the sale of shares

(a) Name of the subsidiary and its business

Name: Kirin Kyowa Foods Co., Ltd.

Business: Manufacture, sale, import and export of seasonings, quality-improving agents, yeast-related ingredients, sweeteners, bakery materials, processing liquors and other food ingredients

(b) Name of buyer

Mitsubishi Corporation

(c) Main reason for sale

Please refer to the above.

(d) Date of transfer

July 1, 2013

(e) Overview of the transaction including legal form

Legal form:	Share transfer agreement
Total number of shares sold:	1,097 shares
Sales value:	¥24,705 million
Shareholding ratio after the sale:	19.0%

* The transfer of the remaining shares is scheduled on January 1, 2015, with sales value amounting to ¥30.5 billion in total. Sale value may be adjusted based on the agreement.

(2) Overview of accounting treatment

(a) Amount of gain on sale

¥938 million

(b) Carrying values of assets and liabilities of the transferred business (breakdown)

Current assets	¥32,630 million
Non-current assets	¥36,136 million
Total assets	¥68,766 million
Current liabilities	¥19,316 million
Non-current liabilities	¥19,360 million
Total liabilities	¥38,676 million

(c) Accounting treatment

The difference between the carrying values on the consolidated financial statements and the sales value of Kirin Kyowa Foods Co., Ltd. is included in "Other" of "Special income."

(3) Estimated income/loss related to the transferred business included in the consolidated statement of income for the fiscal year ended December 31, 2013

Sales	¥34,943 million
Operating income	¥78 million

Additional Information

Application of consolidated taxation regime

During the current fiscal year, the Company and certain consolidated subsidiaries filed for the application of consolidated taxation regime and the application of the consolidated taxation regime is to start from the following fiscal year. Therefore, in accordance with "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (ASBJ, PITF No. 5 issued on March 18, 2011) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ PITF No. 7 issued on June 30, 2010), the Company has applied accounting procedures based on the application of consolidated taxation regime from the current fiscal year.

Allowance for loss on plants reorganization

During the fiscal year ended December 31, 2013, the Company decided on a policy to remove non-current assets from the Ube plant of the Yamaguchi Production Center of Kyowa Hakko Bio Co., Ltd., a consolidated subsidiary of Kyowa Hakko Kirin Co., Ltd., as part of plants reorganization for the purpose of streamlining domestic production bases.

To provide for probable future losses in connection with the reorganization, the Company provided a reasonable estimate of ¥3,390 million in "Provision for loss on plants reorganization" of "Special expenses" for the fiscal year ended December 31, 2013. As a result, "Income before income taxes and minority interests" decreased by the same amount.

Notes to Financial Statements

Significant Accounting Policies

1. Measurement of securities

(1) Investments in shares of subsidiaries and affiliates are stated at cost determined by the moving-average method.

(2)Available-for-sale securities

(a) Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and 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.

(b) 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. Property, plant and equipment and intangible assets

(1) Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated loss from impairment. 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.

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

4. 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. The allowance for doubtful accounts consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historic percentage of collection losses.

(2) Allowance for employees’ bonuses

The Company provides allowance for employees’ bonuses based on the estimated amounts payable.

(3) Allowance for bonuses for directors and company auditors

The Company provides allowance for bonuses for directors and company auditors based on the estimated amounts payable.

(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 remaining service period, which is 13 years, beginning from the following fiscal year.

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 as “Deferred gains or losses on hedges” in valuation and translation adjustments in the balance sheet 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:

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

(a) 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

(b) 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.

(2) 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.

Changes in Accounting Policies

Changes in accounting policies which are difficult to distinguish from changes in accounting estimates
Effective from the fiscal year ended December 31, 2013, the Company and its consolidated domestic subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after January 1, 2013 in accordance with the amendment of the Corporation Tax Act of Japan.
The effect of this change on the operating income, ordinary income, and income before income taxes for the fiscal year ended December 31, 2013 was immaterial.

Change in Presentation

Statement of income
Effective from the year ended December 31, 2013, “Net foreign currency translation gain” included in “Other” of “Non-operating income” in the previous fiscal year is separately stated as its amount has become material. “Net foreign currency translation gain” included in “Other” for the previous fiscal year amounted to ¥637 million.

Notes to the Balance Sheet

1. Monetary debts due from and to subsidiaries and affiliates

Short-term monetary debts due from subsidiaries and affiliates	¥104,841 million
Long-term monetary debts due from subsidiaries and affiliates	¥1,636 million
Short-term monetary debts due to subsidiaries and affiliates	¥202,059 million
Long-term monetary debts due to subsidiaries and affiliates	¥6,388 million

2. Accumulated depreciation of property, plant and equipment ¥27,358 million

3. Amount deduced from property, plant and equipment due to subsidies received from governments and others ¥34 million

4. Assets pledged as collateral and secured borrowing

(1) Assets pledged as collateral	
Buildings	¥472 million
Land	¥439 million
(2) Secured borrowing	
Deposits received	¥2,169 million

5. Contingent liabilities

Guarantees for loans from banks and others of subsidiaries and affiliates	¥57,675 million
Guarantees for employee housing loans from banks	¥1,921 million
Total	¥59,597 million

Notes to the Statement of Income

1. Transactions with subsidiaries and affiliates

Operating revenue	¥1,693 million
Operating expenses	¥2,221 million
Transactions other than business transactions	¥3,036 million

2. Presentation of gain or loss on currency swaps and forward foreign exchange contracts
Net foreign currency translation gain is stated after offsetting loss on currency swaps and forward foreign exchange contracts (¥2,132 million) that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies.

3. Gain on sale of investment securities
Gain on sale of investment securities consists of gain on sale of shares of Fraser and Neave Limited amounting to ¥46,261 million.

Notes to the Statement of Changes in Net Assets

Type of treasury stock	common stock
Number of shares as of January 1, 2013	3,502,064 shares
Number of shares increased during the year ended December 31, 2013	32,175,656 shares
Number of shares decreased during the year ended December 31, 2013	18,285 shares
Number of shares as of December 31, 2013	35,659,435 shares

Notes: 1. Increase in the number of shares was due to purchases of 275,656 less-than-one-unit shares and acquisition of 31,900,000 shares based on the resolution of the Board of Directors.

2. Decrease in the number of shares was due to sales of less-than-one-unit shares.

Notes for Deferred Income Taxes

1. Significant components of deferred tax assets

Investments in shares and other equity interests of subsidiaries and affiliates	¥48,931 million
Other	¥5,844 million
Subtotal	¥54,775 million
Less valuation allowance	¥(52,140)million
Total deferred tax assets	¥2,635 million

2. Significant components of deferred tax liabilities

Net unrealized gains on securities	¥(16,492)million
Other	¥(1,213)million
Total deferred tax liabilities	¥(17,706)million

Notes for Transactions with Related Parties

Type	Company name	Ratio of voting rights held by the Company [Indirect ownership]	Relationship with the Company	
			Directors and company auditors	Business relationship
Subsidiary	Kirin Co., Ltd.	100%	Concurrent 3	Consignment of management guidance service Lending and borrowing of funds Consignment of indirect business
Subsidiary	Kirin Brewery Co., Ltd.	Indirect 100%	-	Lending and borrowing of funds
Subsidiary	Kirin Beverage Co., Ltd.	Indirect 100%	-	Lending and borrowing of funds
Subsidiary	Lion Pty Ltd	100%	Concurrent 1	Consignment of management guidance service Financial support Guarantees
Subsidiary	Lion Nathan Pty Limited	Indirect 100%	-	Guarantees
Subsidiary	AAJDG Participações S.A. (Note 7)	100%	-	-
Subsidiary	Kyowa Hakko Kirin Co., Ltd.	53%	Concurrent 2	Lending and borrowing of funds

Type	Company name	Transaction details	Transaction amount (¥ millions)	Item	Balance at end of year (¥ millions)
Subsidiary	Kirin Co., Ltd.	Lending and borrowing of funds (Notes 1, 2 and 3)	6,736	Short-term loans payable	27,360
		Absorption-type demerger Transfer of assets (Note 4)	124,097	-	-
Subsidiary	Kirin Brewery Co., Ltd.	Lending of loans (Notes 1 and 2)	110,585	Short-term loans receivable	70,260
Subsidiary	Kirin Beverage Co., Ltd.	Borrowing of funds (Notes 2 and 3)	34,873	Short-term loans payable	30,282
Subsidiary	Lion Pty Ltd	Lending of loans (Note 1)	48,000	Short-term loans receivable	25,140
		Interest income (Note 1)	637	-	-
		Guarantees (Note 5)	36,261	-	-
Subsidiary	Lion Nathan Pty Limited	Guarantees (Note 6)	21,414	-	-
Subsidiary	AAJDG Participações S.A. (Note 7)	In-kind capital contribution (Note 8)	315,329	-	-
Subsidiary	Kyowa Hakko Kirin Co., Ltd.	Borrowing of funds (Notes 2 and 3)	101,661	Short-term loans payable	113,133

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

1. Interest rates of loans receivable are determined based on market interest rates.
2. Lending and borrowing of funds is based on CMS (Cash Management System) and transaction amounts show average outstanding balances during this fiscal year.
3. Interest rates of loans payable are determined based on market interest rates.
4. Details of the absorption-type demerger are stated in “Notes for Business Combinations.”
5. The Company provides the guarantee for bank loans of Lion Pty Ltd.
6. The Company provides the guarantee for a privately placed U.S. bond of Lion Nathan Pty Limited.
7. The corporate name was changed to Brasil Kirin Holding S.A. in January 2014.
8. For the purpose of consolidating holding companies in Brazil, the Company has contributed its shares of Kirin Holdings Investments Brasil Participações Ltda. in kind and accepted the equivalent amount of AAJDG Participações S.A. shares.
9. Transaction amounts above do not include foreign exchange gains or losses. Transaction amounts do not include consumption taxes.

Notes for Per Share Information

1. Net assets per share:	¥1,057.93
2. Net income per share:	¥91.79

Notes for Subsequent Events

There are no matters to report under this item.

Notes for Business Combinations

Common control transaction
Absorption-type demerger of a part of the business to the Company's subsidiary

(1) Name and description of the business, date of business combination, legal forms of business combination, name of the company after combination, and overview of business combination including objective of the transaction

(a) Name and description of the business

1) Name of the business: Administrative function of Japan Integrated Beverages Business

2) Description of the business: Administration and management through shareholdings of Kirin Brewery Co., Ltd., Kirin Beverage Co., Ltd. and Mercian Corporation involved in Japan Integrated Beverages Business

(b) Date of business divestiture

January 1, 2013

(c) Overview of business divestiture including legal forms

At the Board of Directors Meeting held on October 15, 2012, the Company has resolved to execute an absorption-type demerger agreement with its subsidiary, Kirin Group Office Co., Ltd., whereby the company succeeds the entire shares of the Company's subsidiaries Kirin Brewery Co., Ltd., Kirin Beverage Co., Ltd., and Mercian Corporation as of January 1, 2013.

(d) Name of the company after divestiture

Kirin Group Office Co., Ltd. (the Company's consolidated subsidiary)
Kirin Group Office Co., Ltd. changed its trade name to Kirin Co., Ltd. on January 1, 2013.

(e) Objectives of business divestiture

The absorption-type demerger is intended to bring alcohol beverages and non-alcohol beverages businesses together to mobilize expertise, knowledge and know-how earned from each business so that new categories or business models will be created to offer new values to its customers and society.

(2) Overview of accounting treatment

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21 of December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008), the transaction is treated as a "common control transaction."

Additional Information

Application of consolidated taxation regime

During the current fiscal year, the Company filed for the application of consolidated taxation regime and the application of the consolidated taxation regime is to start from the following fiscal year. Therefore, in accordance with “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (ASBJ, PITF No. 5 issued on March 18, 2011) and “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (ASBJ PITF No. 7 issued on June 30, 2010), the Company has applied accounting procedures based on the application of consolidated taxation regime from the current fiscal year.