

(Notes)

1. This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
2. "Audit & Supervisory Board Member(s)" and "Audit & Supervisory Board" described herein mean "Kansayaku" and "Kansayaku-kai" stipulated in the Japanese Companies Act respectively.

Stock Code 2503

March 5, 2014

To: Our Shareholders

Convocation Notice of the 175th Annual General Meeting of Shareholders

Dear Shareholders:

Please be advised that the 175th Annual General Meeting of Shareholders of the Company will be held as set forth below. You are cordially invited to attend the Meeting.

Yours very truly,

Senji Miyake
Representative Director and
President

Kirin Holdings Company, Limited
10-2, Nakano 4-chome,
Nakano-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 Annual General Meeting of Shareholders" and exercise your voting rights by 5:30 p.m., March 26, 2014, (Wednesday) (JST):

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

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

Regarding Disclosure on the Internet

The following items are posted on the Company's website and therefore are not included in the attached documents to the Convocation Notice of the Annual General Meeting of Shareholders, in accordance with laws and regulations, as well as Article 15 of the Company's Articles of Incorporation.

- (1) Notes to Consolidated Financial Statements
- (2) Notes to Financial Statements

Investor Relations | <http://www.kirinholdings.co.jp/english/ir/>

The Consolidated Financial Statements and the Financial Statements, which have been audited by Audit & Supervisory Board Members and the Independent Accounting Auditor shall include not only the respective documents which are stated in these attached documents to the Convocation Notice of the Annual General Meeting of Shareholders but also the Notes to Consolidated Financial Statements and the Notes to Financial Statements, which are posted on the Company's website.

Details of the Meeting

1. Date and Time:

March 27, 2014, (Thursday) at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)

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 Accounting Auditors and the Audit & Supervisory Board for the 175th fiscal year (from January 1, 2013 to December 31, 2013).
- 2) Report on the financial statements for the 175th fiscal year (from January 1, 2013 to December 31, 2013).

Matters to be voted on:

- | | |
|-----------------|---|
| Proposal No. 1: | Appropriation of surplus |
| Proposal No. 2: | Election of seven (7) Directors |
| Proposal No. 3: | Election of two (2) Audit & Supervisory Board Members |
| Proposal No. 4: | Payment of bonuses to Directors and Audit & Supervisory Board Members |

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.

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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. In addition, to save natural resources, we would appreciate it if you could bring this Convocation Notice with you to the Meeting.

We would appreciate it if you could come ahead of time to avoid last-minute congestion.

Please kindly be notified that entry to the meeting hall is strictly limited to our shareholders who hold voting rights, and thus persons such as those acting as attorneys or accompanying our shareholders but are not themselves shareholders, are not allowed to enter the venue.

If any changes are required in the Reference Documents for the Annual 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/>).

Reference Documents for the Annual General Meeting of Shareholders

Matters to be voted on and information:

Proposal No. 1: Appropriation of surplus

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

Regarding the dividend and other appropriation of the surplus, in comprehensive consideration of all the various factors including the Company's operating results of the fiscal year under review, the dividend payout ratio, which takes the profit level excluding non-operating items into account, and future management measures, the proposals of the appropriation are as follows.

The Board of Directors proposes the payment of a dividend of ¥18.0 per share. As a result, the annual dividend will amount to ¥36.0 per share (an increase of ¥7.0 per share from the previous fiscal year), including an interim dividend of ¥18.0 per share.

1. Matters regarding year-end dividend:

- (1) Matters related to the allocation of the dividend property to shareholders and the total amount thereof:

¥18.0 per share of the Company's common stock

Total amount: ¥16,728,130,170

- (2) Effective date of payment of dividend:

March 28, 2014

2. Matters concerning other appropriation of surplus:

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

General reserve: ¥54,000,000,000

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

Retained earnings carried forward: ¥54,000,000,000

Proposal No. 2: Election of seven (7) Directors

Upon the close of this Annual General Meeting of Shareholders, the terms of office of seven (7) Directors will expire. Further, Mr. Toru Suzuki resigned as a Director as of February 28, 2014.

Accordingly, shareholders are requested to elect seven (7) Directors.

The candidates for the positions of Director are as follows:

No. 1 Senji Miyake

Date of birth: January 26, 1948

Number of the Company's shares held: 105,000 shares

Profile, title and responsibilities:

April 1970	Joined the Company
March 1997	General Manager of Sales Promotion for On-Premise Dept. 1 of Sales & Marketing Div.
September 1998	General Manager of Sales Dept. of Sales & Marketing Div.
March 2000	General Manager of Off-Premise Sales Dept. of the Metropolitan Regional Sales & Marketing Div.
October 2001	General Manager of Tokai Regional Sales & Marketing Div.
March 2002	Director and General Manager of Tokai Regional Sales & Marketing Div.
March 2003	Executive Officer and General Manager of Tokai Regional Sales & Marketing Div.
March 2004	Managing Executive Officer and General Manager of the Metropolitan Regional Sales & Marketing Div.
September 2005	Managing Executive Officer and General Manager of the Metropolitan Regional Sales & Marketing Div.
March 2006	Managing Executive Officer and President of Beer, Wine, and Spirits Div.
July 2007	Representative Director and President of Kirin Brewery Company, Limited
March 2009	Representative Director and Executive Vice President of the Company
March 2010	Representative Director and President &CEO (Present Position)

(Note)

No conflict of interests exists between the Company and Mr. Senji Miyake.

No. 2 **Hirotake Kobayashi**

Date of birth: December 25, 1954

Number of the Company's shares held: 10,000 shares

Profile, title and responsibilities:

April 1977	Joined the Company
March 2007	Executive Officer and General Manager of Finance & Accounting Dept.
July 2007	General Manager of Finance & Accounting Dept. of Kirin Business Expert Company, Limited
March 2008	Executive Officer and General Manager of Strategic Planning Dept. of the Company
March 2009	Managing Executive Officer and General Manager of Strategic Planning Dept.
March 2010	Managing Director
March 2012	Representative Director and Managing Director (Present Position)
November 2013	Director of Brasil Kirin Participações e Representações S.A. (an office which he holds now)

Responsible for: Group Business Investment and Alliance Strategy; Group Information Strategy

Significant positions concurrently held at other companies:

Director, Brasil Kirin Participações e Representações S.A.

(Note)

No conflict of interests exists between the Company and Mr. Hirotake Kobayashi.

No. 3 **Hajime Nakajima**

Date of birth: October 3, 1953

Number of the Company's shares held: 46,102 shares

Profile, title and responsibilities:

April 1977	Joined the Company
March 2004	General Manager of Purchasing Dept.
March 2006	General Manager of Nagoya Plant of Production Dept. of Beer, Wine, and Spirits Div.
March 2007	Executive Officer and General Manager of Nagoya Plant of Production Dept. of Beer, Wine, and Spirits Div.
July 2007	Executive Officer and General Manager of Nagoya Plant of Production Dept. of Kirin Brewery Company, Limited
March 2008	Executive Officer and General Manager of Production & Quality Control Dept. of Production Div. of Kirin Brewery Company, Limited
March 2009	Managing Director and General Manager of Production Div. of Kirin Brewery Company, Limited
March 2011	Managing Director of the Company
March 2012	Outside Director of Kyowa Hakko Kirin Co., Ltd. (an office which he holds now) Representative Director and Managing Director of the Company (Present Position)
January 2013	Director of KIRIN Company, Limited (an office which he holds now)

Responsible for: Group Production and Logistics Strategy; Group R&D Strategy; Group Quality and Environment Strategy

Significant positions concurrently held at other companies:

Director, KIRIN Company, Limited; Outside Director, Kyowa Hakko Kirin Co., Ltd.

(Note)

No conflict of interests exists between the Company and Mr. Hajime Nakajima.

No. 4 **Keisuke Nishimura**

Date of birth: December 7, 1956

Number of the Company's shares held: 19,306 shares

held:

Profile, title and responsibilities:

April 1980	Joined the Company
March 2007	Chairman and CEO of Kirin (China) Investment Co., Ltd
March 2009	Director of San Miguel Corp.
April 2009	Director and Executive Vice President of San Miguel Brewery Inc.
October 2011	Director of San Miguel Brewery Inc. (an office which he holds now) Executive Officer and General Manager of Strategy Planning Dept. of the Company
March 2012	Director of the Company (Present Position) Director of China Resources Kirin Beverages (Greater China) Company, Limited (an office which he holds now)

Responsible for:

 Group Personnel & General Affairs Strategy; Group Procurement Strategy

Significant positions concurrently held at other companies:

Director, San Miguel Brewery Inc.; Director, China Resources Kirin Beverages (Greater China) Company, Limited

(Note)

No conflict of interests exists between the Company and Mr. Keisuke Nishimura.

No. 5 **Akihiro Ito**

New Candidate

Date of birth: December 19, 1960

Number of the Company's shares held: 2,000 shares

held:

Profile, title and responsibilities:

April 1983	Joined the Company
July 2007	Director of Planning Dept. of Kirin Pharma Company, Limited
October 2008	General Manager of Group Planning Dept. of Kyowa Hakko Kirin Co., Ltd.
April 2009	General Manager of Strategy Planning Dept. of Kyowa Hakko Kirin Co., Ltd.
March 2010	General Manager of Finance & Accounting Dept. of Kirin Business Expert Company, Limited (changed trade name to Kirin Group Office Company, Limited on January 1, 2011)
January 2013	Executive Officer of the Company and Director of Group Finance of the Company (Present Position)

(Note)

No conflict of interests exists between the Company and Mr. Akihiro Ito.

Date of birth: April 4, 1935

Number of the Company's shares held: 0 shares

Profile, title and responsibilities:

April 1958	Joined The Mitsubishi Bank, Limited
June 2000	President of The Bank of Tokyo-Mitsubishi, Ltd.
April 2001	President and Representative Director of Mitsubishi Tokyo Financial Group, Inc.
June 2004	Chairman and Representative Director of The Bank of Tokyo-Mitsubishi, Ltd. Director of Mitsubishi Tokyo Financial Group, Inc.
October 2005	Director of Mitsubishi UFJ Financial Group, Inc.
January 2006	Chairman and Representative Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
April 2008	Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (an office which he holds now)
March 2010	Outside Director of the Company (Present Position)

Significant positions concurrently held at other companies:

Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Outside Statutory Auditor, MITSUBISHI MOTORS CORPORATION; Outside Director, Mitsubishi Electric Corporation; Outside Director, Mitsubishi Logistics Corporation

(Notes)

1. No conflict of interests exists between the Company and Mr. Shigemitsu Miki.
2. Mr. Shigemitsu Miki is a candidate for an Outside Director.
3. The Board of Directors has nominated Mr. Shigemitsu Miki as an Outside Director because of its expectation that, from his considerable experiences acquired over many years as corporate executive, he will provide valuable opinions and suggestions to the management of the Company.
4. MITSUBISHI MOTORS CORPORATION, where Mr. Shigemitsu Miki holds a position of Outside Statutory Auditor, was found to have been using certain facilities without making the mandatory notifications pursuant to environment-related laws and ordinances. Although he had not perceived the impropriety in advance, he has been calling for attention to such matters at the Board of Statutory Auditors on a regular basis from the standpoint of compliance with laws and regulations. Moreover, ever since the fact was revealed, he has been conducting a thorough investigation into the matter as well as instructing ways of preventing a recurrence of such an event, etc.
Mitsubishi Electric Corporation, where Mr. Shigemitsu Miki holds a position of an Outside Director, received nomination stop measure, etc. for overstatement of expenses and inappropriate billing relating to the contract on the electronic system business with the Ministry of Defense (of Japan) and others. Moreover, Mitsubishi Electric Corporation violated the Antimonopoly Act in Japan and the Antitrust Laws in the U.S. in relation to its orders received concerning some transactions of automobile parts. For these violations, it received a cease and desist order and a payment order for surcharge in Japan, and in the U.S., it concluded a plea agreement with the United States Department of Justice, pursuant to which it agreed to pay a fine. Although he had not perceived each impropriety in advance, he has been calling attention to such matters at the Board of Directors Meetings, etc. on a regular basis from the standpoint of compliance with relevant laws and regulations. After the fact was revealed, he has been giving suggestions at the Board of Directors Meetings, etc. on conducting a thorough investigation to determine the cause, taking measures to further reinforce the compliance system in order to prevent a recurrence of such an event, etc.
5. Mr. Shigemitsu 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

Senior Advisor.

6. The years served (as of the close of this Annual General Meeting of Shareholders) by Mr. Shigemitsu Miki since his election as an Outside Director are 4 years.
7. In the past, Mr. Shigemitsu Miki had been Representative Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd., a bank with which the Company has major transactions. Although he has not been reported to the Tokyo Stock Exchange, Inc., etc. as an independent officer, he has been providing us valuable opinions and suggestions concerning the management of the Company from his objective standpoint.

No. 7 **Toshio Arima**

Candidate for Outside Director

Candidate for Independent Officer

Date of birth: May 31, 1942

Number of the Company's shares held: 2,000 shares

Profile, title and responsibilities:

April 1967	Joined Fuji Xerox Co., Ltd.
June 2002	President and Representative Director of Fuji Xerox Co., Ltd.
October 2006	Director of FUJIFILM Holdings Corporation
June 2007	Board Director and Executive Advisor of Fuji Xerox Co., Ltd.
June 2008	Executive Corporate Advisor of Fuji Xerox Co., Ltd.
March 2011	Outside Director of the Company (Present Position)
April 2012	Executive Advisor of Fuji Xerox Co., Ltd. (an office which he holds now)

Significant positions concurrently held at other companies:

Executive Advisor, Fuji Xerox Co., Ltd.; Outside Director, Resona Holdings, Inc.;
Outside Director, Fuji Heavy Industries Ltd.; Chairman of the Board, Global Compact Japan Network

(Notes)

1. No conflict of interests exists between the Company and Mr. Toshio Arima.
2. Mr. Toshio Arima is a candidate for an Outside Director.
3. The Board of Directors has nominated Mr. Toshio Arima as an Outside Director because of its expectation that, from his considerable experiences acquired over many years as corporate executives, he will provide valuable opinions and suggestions to the management of the Company.
4. Fuji Heavy Industries Ltd., where Mr. Toshio Arima holds a position of an Outside Director, received notification from the Tokyo Regional Taxation Bureau for its inappropriate accounting treatment. Although he had not perceived the impropriety in advance, he has been focusing on providing suggestions regarding the importance of the internal control and the development of its system on a regular basis. After the fact was revealed, he has been carrying out his responsibility properly including instructing ways of preventing a recurrence of such an event.
5. The years served (as of the close of this Annual General Meeting of Shareholders) by Mr. Toshio Arima since his election as an Outside Director are 3 years.
6. Mr. Toshio Arima is an independent officer as prescribed in the regulations of the Tokyo Stock Exchange, Inc., etc., and he is expected to remain as an independent officer when he is re-elected and appointed as a Director. Although there is a business relation associated with regular copy machine-related transactions between the Company and Fuji Xerox Co., Ltd., where he had held a position of Representative Director until June 2007, the Company believes that he maintains a sufficient level of independence with which he is unlikely to have conflicts of interest with general shareholders because the amount paid to Fuji Xerox Co., Ltd. during the fiscal year under review is less than 0.1% of their sales.

Proposal No. 3: Election of two (2) Audit & Supervisory Board Members

Upon the close of this Annual General Meeting of Shareholders, the term of office of Mr. Kazuo Tezuka, an Audit & Supervisory Board Member, will expire, and Mr. Naoki Hyakutake will resign as an Audit & Supervisory Board Member.

Accordingly, shareholders are requested to elect two (2) Audit & Supervisory Board Members.

This proposition has already obtained consent of the Audit & Supervisory Board. The candidates for the positions of Audit & Supervisory Board Member are as follows:

No. 1 **Masahito Suzuki**

New Candidate

Date of birth: September 9, 1957

Number of the Company's shares held: 17,000 shares

Profile and title:

April 1980	Joined the Company
March 2007	General Manager of Finance & Accounting Dept. of Kirin Beverage Company, Limited
March 2008	Executive Officer and General Manager of Corporate Planning Dept. of Kirin Beverage Company, Limited
March 2009	Director and General Manager of Corporate Planning Dept. of Kirin Beverage Company, Limited
March 2012	Director of the Company (Present Position) Director of Lion Pty Ltd (an office which he holds now)
January 2013	Director of KIRIN Company, Limited (an office which he holds now)

Significant positions concurrently held at other companies:

Director, KIRIN Company, Limited; Director, Lion Pty Ltd

(Notes)

1. No conflict of interests exists between the Company and Mr. Masahito Suzuki.
2. Mr. Masahito Suzuki is currently a Director of the Company and is expected to retire from the position of a Director upon the close of this Annual General Meeting of Shareholders as his term of office will expire. He is also currently a Director of KIRIN Company, Limited and Lion Pty Ltd, and is expected to retire from both the positions of a Director by the close of this Annual General Meeting of Shareholders.

No. 2 **Fukutaka Hashimoto**

New Candidate

Candidate for Outside Audit & Supervisory Board Member

Candidate for Independent Officer

Date of birth: July 6, 1954

Number of the Company's shares held: 0 shares

Profile and title:

April 1979	Registered as an attorney-at-law and joined Tokyo Hatchobori Law Office (an office which he holds now)
April 2012	President of Daini Tokyo Bar Association (retired in March 2013) Vice President of Japan Federation of Bar Associations (retired in March 2013)
August 2013	Acting Chairperson of the Central Board on Reform of the System for Nurturing Legal Professionals of Japan Federation of Bar Associations (an office which he holds now)

Significant positions concurrently held at other companies:

Tokyo Hatchobori Law Office (attorney-at-law)

(Notes)

1. No conflict of interests exists between the Company and Mr. Fukutaka Hashimoto.
2. Mr. Fukutaka Hashimoto is a candidate for an Outside Audit & Supervisory Board Member.
3. The Company has nominated Mr. Fukutaka Hashimoto as an Outside Audit & Supervisory Board Member because it believes that he will execute the duties of this office appropriately based on his high level of specialist knowledge and considerable experiences as an attorney-at-law in corporate legal affairs. Although he has not been involved in corporate management in the past other than as Outside Director or Outside Audit & Supervisory Board Member, for the reason mentioned above, the Company considers that he will be able to execute the duties of this office appropriately.
4. When Mr. Fukutaka Hashimoto is elected and appointed as an Audit & Supervisory Board Member, he is expected to become an independent officer as prescribed in the regulations of the Tokyo Stock Exchange, Inc., etc.

Proposal No. 4: Payment of bonuses to Directors and Audit & Supervisory Board Members

In due consideration of the Company's consolidated operating results of the fiscal year under review, etc., the Board of Directors proposes the payment of bonuses of ¥122.49 million in total to eight (8) Directors who held office as of the end of the fiscal year under review (of which, ¥2.0 million in total will be paid to two (2) Outside Directors). It also proposes the payment of bonuses of ¥14.82 million in total to five (5) Audit & Supervisory Board Members who held office as of the end of the fiscal year under review (of which, ¥3.0 million in total will be paid to three (3) Outside Audit & Supervisory Board Members).

- END -

(Attached documents)

BUSINESS REPORT

(For the period from January 1 to December 31, 2013)

1. Overview of Kirin Group business operations

(1) Results of business operations

During the consolidated fiscal year under review, despite the slow pace of growth in some emerging countries, the world economy overall continued to recover gradually due to factors such as the underlying firmness in the U.S. and Chinese economies, and a trend towards improvement seen in the European economy.

Under this global economic environment, the Japanese economy continued to recover gradually and consumer spending also maintained underlying strength due to a trend of improvement in exports, the emerging impact of economic policies, and other factors.

Kirin Group shifted its management direction toward self-sustained growth and implemented initiatives to establish and expand brand-centered management as a source to maintain superior competitive positions in the first year of the Kirin Group Medium-Term Business Plan 2013-2015, which marks the initial stage in realizing the aims of Kirin's Long-Term Business Plan, Kirin Group Vision 2021 ("KV2021").

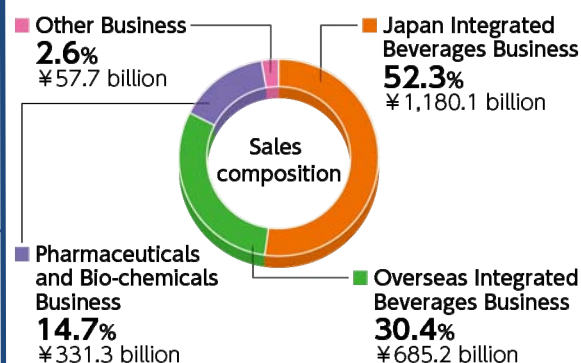
In the Japanese market, under Kirin Company, Limited established in January, we worked to foster powerful brands and to enhance our competitiveness through strategic investments with an eye to the mid- to long-term. While efforts were focused on further growth in Japan, each regional headquarters overseas carried out self-sustained management according to the market climate in each region in order to drive the growth of the Group as a whole. Lion Pty Ltd in Oceania, stepped up sales in growth categories and high value-added products, and Brasil Kirin Participações e Representações S.A. ("Brasil Kirin S.A.") undertook measures to strengthen core brands and to expand customer touch points.

Consequently, although there was an impact of the exclusion of Kirin Kyowa Foods Company, Limited from consolidation and other factors during the consolidated fiscal year under review, sales increased primarily due to a steady rise in sales overseas, as well as a year-on-year rise in sales volume for domestic non-alcohol beverages. Despite an increase in operating income for the overseas business overall, operating income decreased as a result of a fall in profit at Brasil Kirin S.A., an increase in costs due to strategic brand investments domestically, and a drop in sales volume of domestic alcohol beverages. Ordinary income also decreased, but net income increased significantly primarily because of gain on sale of investment securities after the transfer of shares in Fraser and Neave Limited.

In order to further enhance shareholder return, we carried out an own-share repurchase with a maximum acquisition cost of ¥50.0 billion. A total of 31,900,000 shares were acquired from March to September, and the acquisition was concluded when the maximum amount was reached.

Results for the fiscal year under review

Consolidated sales	¥2,254.5 billion (up 3.1% compared to the previous fiscal year)
Consolidated operating income	¥142.8 billion (down 6.7% compared to the previous fiscal year)
Consolidated ordinary income	¥132.1 billion (down 4.6% compared to the previous fiscal year)
Consolidated net income	¥85.6 billion (up 52.4% compared to the previous fiscal year)



Reference

EBITDA*	¥301.4 billion	(down 1.9% compared to the previous fiscal year)
Earnings per share*	¥122	(up 4.3% compared to the previous fiscal year)

*Extraordinary gains and losses and other non-ordinary items have been excluded to reflect actual earnings more accurately.

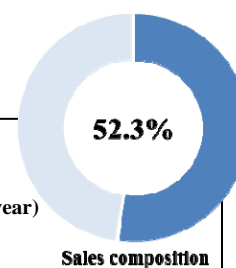
Glossary

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDA is income before deduction of taxes, to which interest expense and depreciation and amortization are added. Referring to cash flow in the broad sense, it is used as an indicator to minimize apparent differences in profitability among global companies due to factors such as differences in interest, tax rates, and accounting standards.

Japan Integrated Beverages Business Division

Consolidated sales: ¥1,180.1 billion (down 0.8% compared to the previous fiscal year)
Consolidated operating income: ¥62.1 billion (down 9.9% compared to the previous fiscal year)



Major Products of Group Companies

Kirin Brewery Company, Limited

Beer: *Kirin Ichiban Shibori*, **Happo-shu:** *Tanrei Green Label*, **New genre:** *Kirin Nodogoshi Nama*, *Kirin Sumikiri*, **RTD:** *Kirin Hyoketsu*

Mercian Corporation

Wine: *Chateau Mercian*, *Oishii-Sankaboshizai-Mutenka Wine*, *Franzia*

Kirin Beverage Company, Limited

Non-alcohol beverages: *Kirin Gogo-no-Kocha*, *FIRE*, *Nama-cha*, *Mets COLA*, *Alkali Ion Water*, *Sekai-no-Kitchen-Kara Salt & Litchi*

Shrinkage in overall demand for beer products amid ongoing diversification of consumer tastes, rising costs for raw materials due to the rapid progression of yen depreciation and other factors continue to result in a severe business climate in the domestic alcohol and non-alcohol beverages markets.

Under these circumstances, in the Japan Integrated Beverages Business, Kirin Company, Limited, with Kirin Brewery Company, Limited, Mercian Corporation, and Kirin Beverage Company, Limited as wholly owned subsidiaries, was established in January, and in May we centralized the headquarter function of domestic Group companies. Under the new organization, in order to achieve further growth in the continuously maturing domestic market, we carried out strategic allocation of resources that goes beyond the sphere of alcohol beverages and non-alcohol beverages, and strengthened the development of powerful brands while working to create new categories by further enhancing mutual collaboration.

Kirin Brewery Company, Limited developed *Kirin Ichiban Shibori* brand on the theme of the delight and enjoyment of drinking beer. As a result of proposing new styles of drinking, including *Ichiban Shibori Two Tone Nama*, a beer cocktail divided into two layers, and *Kirin Ichiban Shibori Frozen Nama*, featuring a new tasting experience, and further expanding KIRIN ICHIBAN GARDEN concept both in Japan and overseas, certain results were achieved such as a year-on-year increase in sales volume of *Ichiban Shibori* keg beer, however, sales volume declined for the *Ichiban Shibori* brand overall. Competition is becoming increasingly fierce in the growing “new genre” (non-malt beer, etc.) categories, and sales volume of our No. 1 brand^{*1} *Kirin Nodogoshi Nama* declined compared to the previous year, but the new product *Kirin Sumikiri* was launched in May, which introduced the unique flavor of 100% barley with clear aftertaste, and recorded sales above initial targets. In the RTD^{*2}, sales volume of *Kirin Hyoketsu* and *Kirin Hon-shibori* increased compared to the previous year. Under *Kirin Hyoketsu* brand, seasonally limited product *Kirin Hyoketsu Wanashi*, using Japanese pears from Fukushima Prefecture, was launched to support the rebuilding of agriculture industry in the earthquake stricken Tohoku Region, and were well-received as products that embody “solving social issues through business operations.”

Mercian Corporation strengthened and developed product brands centered mainly on

Franzia and *Oishii-Sankaboshizai-Mutenka Wine*, and implemented measures to further expand the wine market. In addition, in order to encourage people to enjoy wine daily Mercian Corporation aggressively promoted the container strategy and further expanded the wine brands available in PET bottles. Sales volume rose compared to the previous year, despite a price revision of wine carried out in September to reflect the impacts of soaring prices of ingredients of domestic wine and cask wine prices at wineries in various countries.

At Kirin Beverage Company, Limited, sales were robust for *Kirin Gogo-no-Kocha Oishii Sugar-Free*, which introduced a broader range of occasions for drinking tea beverages, and sales volume for *Kirin Gogo-no-Kocha* brand overall increased compared to the previous year. *Kirin Sekai-no-Kitchen-Kara Salt & Litchi* combined the distinctive *salt and fruits* taste sensation with an appeal of functionality as a measure against heat stroke resulting in significant growth in sales. In addition, Kirin Beverage Company, Limited worked to develop the brand of *Kirin Mets COLA*, which established a new market as the first cola drink designated as a “food for specified health uses.” In August, *Kirin FIRE Café Deli*, flavored latte in a PET bottle, was launched to expand the customer base to include a younger segment different from the traditional consumers of canned coffee. Furthermore, as part of the Kirin health project “KIRIN Plus-i,” it launched *Koiwai Mamoru Chikara-no-Nyusankin* and *Kirin Mamotte! Chikara Mizu*, which facilitated the inclusion of our unique lactic acid bacteria “Plasma Nyusankin” into one’s daily diet.

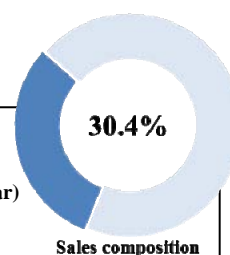
While each company strove to develop strong brands, we also worked to further reduce costs in the Japan Integrated Beverages Business as a whole in order to minimize the impact of yen depreciation on the cost of raw materials.

- *1 Based on taxable shipping volume of “Other miscellaneous liquors (2)” for 2005, and “Other fermented liquors (sparkling) (1)” for 2006-2013.
- *2 RTD: Products of premixed low alcohol beverages that can be enjoyed straight from the can or bottle. RTD is an acronym for “Ready to Drink.”

Overseas Integrated Beverages Business Division

Consolidated sales: ¥685.2 billion (up 18.7% compared to the previous fiscal year)

Consolidated operating income: ¥30.6 billion (up 11.0% compared to the previous fiscal year)



Major Products of Group Companies

Lion Pty Ltd

Beer: *XXXX GOLD, Steinlager, James Squire, Little Creatures*, **Dairy products:** *Dare, Dairy Farmers*

Brasil Kirin S.A.

Beer: *Nova Schin, Devassa, Schin No Grau*, **Non-alcohol beverages:** *Schin*

In Australia, the economic growth is slowing and consumer goods industries, especially the food and retail sectors, continue to face a tough business climate.

In its alcohol beverages business, Lion Pty Ltd moved forward to strengthen sales in growth categories and for high value-added products as total demand continued to trend downwards. Sales volume increased considerably compared to the previous year, thanks to robust sales for the leading brand *XXXX GOLD* as well as the contribution of imported premium brands such as *Corona Extra* and strong sales for craft beer. In addition, sales volume increased in the cider category (sparkling alcohol beverages using mainly apples as raw ingredients) for which the market is growing. Meanwhile, although sales volume in its non-alcohol beverage business fell compared to the previous year under a severe market climate where customers are cost-conscious, Lion Pty Ltd endeavored to strengthen brands of the high value-added products such as the dairy beverage *Dare*, while continuing to move ahead with structural reforms including optimization of production bases.

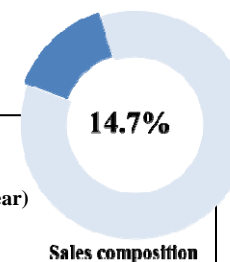
In Brazil, the pace of economic growth continued to be moderate, and consumer spending slowed slightly due to an inflation rate that continues to hover at a high level.

At Brasil Kirin S.A., despite an increasingly severe competition amid sluggish market growth, sales volume in the beer business increased year-on-year as a result of strengthening of core brands, mainly *Nova Schin* beer and the carbonated drink *Schin*, and measures carried out to expand customer touch points throughout Brazil. In addition to bolstering facilities in order to respond to expanded household demand, Brasil Kirin S.A. continued to improve the procurement process and to streamline the whole value chain.

Pharmaceuticals and Biochemicals Business Division

Consolidated sales: ¥331.3 billion (up 2.6% compared to the previous fiscal year)

Consolidated operating income: ¥54.3 billion (down 2.1% compared to the previous fiscal year)



Major Products

Kyowa Hakko Kirin Co., Ltd

Pharmaceuticals: *NESP, ALLELOCK, PATANOL, GRAN, CONIEL, POTELIGEO*

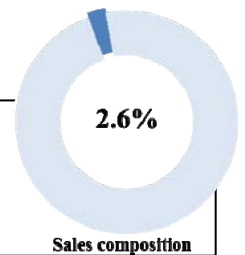
In the pharmaceuticals business, in terms of Kyowa Hakko Kirin Co., Ltd's domestic pharmaceuticals, *PATANOL*, anti-allergy eye drops recorded strong sales due to an increase in the amount of pollen dispersed in the air, and other products generally performed strongly. Meanwhile, sales decreased for *NESP*, a treatment for nephrogenic anemia, following the launch of products with new specification in December 2012 and a temporary surplus of distribution inventory for both old and new products accompanied by a shipment backlash and other factors. New medicines launched were *NOURIAST*, a therapeutic agent for Parkinson's disease, *ONGLYZA*, a type-two diabetes drug, and *ABSTRAL*, a drug treatment for cancer pain. Regarding pharmaceutical exports and licensing-out of technologies, although exports performed strongly, sales fell due to factors including posting some of the revenues from licensing-out of technologies to Fujifilm Kyowa Kirin Biologics Co., Ltd. in the next term. Overseas, the leading products of ProStrakan Group plc grew steadily.

In the biochemical business, Kyowa Hakko Bio Co., Ltd saw robust sales for pharmaceutical amino acids and other pharmaceutical raw materials, and in the health care field, the mail order business including *Ornithine* grew steadily. Overseas sales were up year-on-year, partly due to the impact of yen depreciation.

Other Businesses Divisions

Consolidated sales: ¥57.7 billion (down 39.9% compared to the previous fiscal year)

Consolidated operating income: ¥3.7 billion (down 0.8% compared to the previous fiscal year)



Sales composition

Major Products

Koiwai Dairy Products Company, Limited

Dairy products: *Koiwai Seinyu 100% Yogurt, Koiwai Hors d'oeuvre Cheese, Koiwai Karada e no Okurimono Plasma Nyusankin Nomu Yogurt*

A share transfer agreement was concluded in March to gradually transfer all shares of Kirin Kyowa Foods Company, Limited to Mitsubishi Corporation, and in July 81.0% of the outstanding shares were transferred. Sales and operating income both decreased as a result of sluggish sales up to the second quarter for Kirin Kyowa Foods Company, Limited's leading products including natural seasonings and fermented seasonings, and the weakening of the overseas market for nucleic acid seasonings and rising costs of raw materials due to yen depreciation.

Koiwai Dairy Products Company, Limited saw strong sales for its leading product *Koiwai yogurt made from 100% fresh milk* and it achieved certain results in reduction of manufacturing and logistics costs, however, sales volume of processed cheese and other household dairy products declined amid intensifying competition, impacted by the soaring costs of raw materials.

(2) Future challenges

In the first year of the Kirin Group Medium-Term Business Plan 2013-2015, which marks the initial stage in realizing the aims of KV2021, the Kirin Group worked toward renewing growth in the Japan Integrated Beverages Business and self-sustained growth in the Overseas Integrated Beverages Business. In Japan, although positive results were seen in certain categories including non-alcohol beverages, sales volume declined year-on-year for leading brands in the beer category. As a result, there remains a need to continue tackling the challenges of strengthening and fostering brands. Furthermore, in the overseas countries where the Kirin Group has a business base, the business climate is becoming increasingly difficult due to factors such as market growth turning sluggish, intensified competition on low prices, and the rapid rise in the price of raw materials under the influence of macroeconomic factors, and a major challenge for the Kirin Group will be to make response to these environmental changes with a view to self-sustained growth.

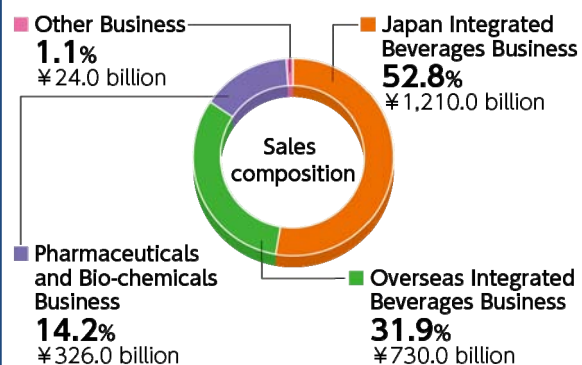
In 2014, the second year of the Kirin Group Medium-Term Business Plan 2013-2015, we will continue to expand the Kirin Group's brand-centered management, while managing appropriately the new changes that arise in the business climate as we seek to achieve our targets. In the Japan Integrated Beverages Business under Kirin Company, Limited, we will continue to concentrate efforts on developing strong product brands and creating new value through innovation by pushing forward more vigorously with our strategic allocation of resources. At the same time, we will, through pressing ahead with measures to enhance cost competitiveness, deliver results and put the Group solidly on track for renewed growth. In the Overseas Integrated Beverages Business, regional headquarters in Oceania, Brazil, and other regions will, through carrying out self-sustained and timely business operations according to the market climate of each region, deliver results and drive growth for the Group as a whole. Additionally, the Group will, through the Japan Integrated Beverages Business Group, enhance corporate value through implementation of specific CSV* activities and dialogue with our stakeholders. Further, we seek to create a positive cycle between such enhancement of corporate value and strengthening of product brands.

Furthermore, in line with the financial policy of the Kirin Group Medium-Term Business Plan 2013-2015, we will continue to endeavor to enhance return to shareholders. We have set a dividend payout ratio of 30% for earnings per share (EPS), and aim to increase the dividend according to growth by improving the Group's ability to generate cash flow.

*CSV: an acronym for "Creating Shared Value." CSV is a concept that combines two ideas: engaging in societal issues to create social value and improving a company's competitiveness.

Results forecast for the next fiscal year

Consolidated sales	¥2,290.0 billion (up 1.6% compared to the previous fiscal year)
Consolidated operating income	¥140.0 billion (down 2.0% compared to the previous fiscal year)
Consolidated ordinary income	¥122.0 billion (down 7.7% compared to the previous fiscal year)
Consolidated net income	¥49.0 billion (down 42.8% compared to the previous fiscal year)



Reference

EBITDA* ¥302.0 billion (up 0.2% compared to the previous fiscal year)

Earnings per share* ¥129 (up 5.7% compared to the previous fiscal year)

*Extraordinary gains and losses and other non-ordinary items have been excluded to reflect actual earnings more accurately.

Japan Integrated Beverages Business Division

Under Kirin Company, Limited, now in its second year since establishment, we will carry out further “selection and focus,” and will develop strong product brands, create new value for customers, and realize enhanced corporate brand value through the strategic allocation of resources based on the concept of “brand-centered management.” We will boost our organizational strength through measures such as centralization of the hiring of new graduates at Kirin Company, Limited and promotion of diversity, and set the business on the path to sustainable growth, while at the same time manage appropriately the changes in the business climate such as the consumption tax rate increase.

Kirin Brewery Company, Limited will, develop strong product brands, with *Kirin Ichiban Shibori* as core brand, by: (1) clearly identifying which brands should be strengthened; (2) prioritizing allocation of management resources generated through streamlining; and (3) increasing both the quality and quantity of communication with customers. Furthermore, Kirin Brewery Company, Limited will achieve the “creation of new value for customers” by providing new products and services, and through the deployment of CSV activities.

Mercian Corporation will increase corporate brand value by strengthening the flagship brand *Chateau Mercian* and developing product brands. In addition, Mercian Corporation will aim for expansion and growth of the wine market through initiatives such as the expansion of PET bottle products, development and introduction of new products, and sales promotion activities. Mercian Corporation will also respond to changes in the business climate, such as the rising prices of raw materials for domestic wine, by continuing to reduce costs.

Kirin Beverage Company, Limited will thoroughly enhance product brand value through further selection and focus of marketing investments. With an eye to the mid- to long-term, Kirin Beverage Company, Limited will secure a superior competitive position in the market by developing brands that, like *Kirin Gogo-no-Kocha*, will become pillars of the business and by continuing efforts to make new value proposals and to develop new products in the health and functional area which has high growth potential.

Overseas Integrated Beverages Business Division

Each regional headquarters will deliver results by carrying out self-sustained and timely business operations according to the market climate in each region and drive growth for the Group as a whole. Kirin Holdings Company, Limited, as a global headquarters, will strategically allocate resources among businesses and regions, and promote the creation of synergies through function sharing.

Lion Pty Ltd in Oceania will strive to enhance profitability under a market climate that remains tough. In the alcohol beverages business, Lion Pty Ltd will generate stable profit by: (1) further strengthening core brands; (2) seeking to further broaden brand penetration in growth categories in the market and; (3) making continued efforts to reduce costs. In the non-alcohol beverage business, Lion Pty Ltd will increase profitability by enhancing sales of high value-added products, while implementing further cost reduction measures in addition to the optimization of production bases that has been continually pushed forward, along with structural reform of the business with a view to the long term, in order to minimize the impact of various factors such as rising prices of raw materials.

Brasil Kirin S.A. will seek to further expand sales and increase profitability by

broadening brand penetration in both the beer and non-alcohol beverage markets, and through ongoing streamlining of the entire value chain. In the beer business, through building a solid brand portfolio and strengthening core brands, Brasil Kirin S.A. will continue to work on expanding customer touch points throughout Brazil. In the non-alcohol beverage business, Brasil Kirin S.A. will reinforce sales of high value-added products through innovation in addition to core brands.

In Southeast Asia, under the management of Kirin Holdings Singapore Pte. Ltd., we will grow the business by identifying opportunities and strengthening the foundation for the non-alcohol and alcohol beverage businesses in each market, centered on Vietnam and Thailand.

Pharmaceuticals and Biochemicals Business Division

In the pharmaceuticals business, Kyowa Hakko Kirin Co., Ltd prioritizes “further strengthening domestic competitiveness through the category strategy” and “enhancing the business foundation in Europe and Asia with a view to becoming a global specialty pharmaceutical operation.” Domestically, Kyowa Hakko Kirin Co., Ltd will focus on the four categories of nephrology, oncology, immunology/allergy and central nervous system as it seeks to maximize sales and win trust among medical institutions by strengthening collaboration among functions throughout the entire process from R&D to manufacturing and sales, refining the ability of drug development, ensuring that new drugs get on the market, and having a sales structure with advanced expertise. Overseas, Kyowa Hakko Kirin Co., Ltd will, leveraging ProStrakan Group plc, pursue global expansion according to the business strategy of each region and country.

In the biochemical business, Kyowa Hakko Bio Co., Ltd will respond actively to growing demand worldwide for amino acids by further enhancing its global business foundation, while reorganizing and enhancing production bases to further bolster cost competitiveness, and press ahead with “strengthening of the profit foundation.”

Other Businesses Divisions

Koiwai Dairy Products Company, Limited will, through prioritizing the allocation of resources to its leading product *Koiwai Seinyu 100% Yogurt* in the expanding fermented dairy product market, pursue broader customer touch points and sales promotions and aim to increase sales. In addition, it will continue to strive to reduce manufacturing and distribution costs in response to changes in the business climate such as fluctuations in the exchange rate and soaring prices of raw materials.

With “Passion and Integrity” as shared values, the Kirin Group will continue to propose new styles that take “Food and Well-being” to the next level to bring new joy and to contribute to the well-being, pleasure, and comfort of people throughout the world with all Group products and services.

We would like to ask all of our shareholders for their continued understanding and support.

“Kirin Women’s Network 2021” Career Opportunities Plan for Female Employees – Initiatives to Promote Diversity –

With a view to create a corporate culture in which diversity can play a part, and in particular, to promoting career opportunities for female employees, Kirin Company,

Limited has newly established the “Kirin Women’s Network 2021 (“KWN2021”).” We have set the goal of tripling the number of female managers to 300 from its launch in December 2013 to 2021. Our policy is to promote a corporate culture in which female employees can have greater career opportunities, and to engage in efforts to support career development by each and every employee.

Based on the belief that diversity is essential to the creation of value for our increasingly diversified customers, the Kirin Group has implemented various enhancements to our systems and working environment in order to support greater career opportunities for female employees. In addition, the “Kirin Women’s Network” was launched in 2007 as a way to assist networking by female employees, and has engaged in various initiatives since then. Under KWN2021, we will further develop efforts by setting clear goals and policies, aim to improve our corporate competitiveness, balance solutions to social issues with growth of the company and enhance our organizational strength through promotion of opportunities for employees, and connect it to the achievement of the Long-Term Business Plan of KV2021.

(3) State of assets and income

Item	172 nd term	173 rd term	174 th term	175 th term
	(Jan. 1, 2010 – Dec. 31, 2010)	(Jan. 1, 2011 – Dec. 31, 2011)	(Jan. 1, 2012 – Dec. 31, 2012)	(Jan. 1, 2013 – Dec. 31, 2013)
Sales	¥2,177,802 million	¥2,071,774 million	¥2,186,177 million	¥2,254,585 million
Operating income	¥151,612 million	¥142,864 million	¥153,022 million	¥142,818 million
Ordinary income	¥140,969 million	¥136,818 million	¥138,452 million	¥132,134 million
Net income	¥11,394 million	¥7,407 million	¥56,198 million	¥85,656 million
Net income per share	¥11.95	¥7.70	¥58.44	¥90.76
Net Assets	¥1,159,036 million	¥1,047,895 million	¥1,153,901 million	¥1,300,726 million
Net Assets per share	¥1,000.51	¥886.86	¥986.94	¥1,157.66
Total Assets	¥2,649,197 million	¥2,854,254 million	¥2,951,061 million	¥2,896,456 million

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

(Sales)	(Millions of yen)	
	174th term	175th term
Business division	(Jan. 1, 2012 – Dec. 31, 2012)	(Jan. 1, 2013 – Dec. 31, 2013)
Japan Integrated Beverages	1,190,001	1,180,175
Overseas Integrated Beverages	577,057	685,254
Pharmaceuticals and Biochemicals	322,976	331,377
Others	96,142	57,778
Total	2,186,177	2,254,585

(Operating income)	(Millions of yen)	
	174th term	175th term
Business division	(Jan. 1, 2012 – Dec. 31, 2012)	(Jan. 1, 2013 – Dec. 31, 2013)
Japan Integrated Beverages	68,948	62,112
Overseas Integrated Beverages	27,640	30,673
Pharmaceuticals and Biochemicals	55,503	54,337
Others	3,780	3,749
(Elimination and unallocatable costs)	(2,851)	(8,054)
Total	153,022	142,818

- (Notes)
1. Sales of each business division indicate the sales to unaffiliated customers.
 2. The classification of business divisions has been changed from the 175th term. Accordingly, results for the 174th term are stated based on the changed classification of business divisions.

(4) Plant and equipment investment

Consolidated plant and equipment investment for the consolidated fiscal year under review amounted to ¥117.3 billion on a payment basis.

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

1) Major facilities completed during the consolidated fiscal year under review

Business division	Company name	Details of the plant and equipment investment
Japan Integrated Beverages	Kirin Brewery Company, Limited	Yokohama Plant – Improvement of brewing facilities for beer and <i>happo-shu</i> , etc. and construction of offices, etc.

2) Major facilities under construction or contemplation as of the end of the consolidated fiscal year under review

Business division	Company name	Details of the plant and equipment investment
Overseas Integrated Beverages	Lion Pty Ltd	Burnie Plant – Improvement of production facility for dairy products, etc.
	Brasil Kirin Participações e Representações S.A.	Igarassu Plant – Expansion of brewing facility in beer plant

(5) Financing

The aggregate amount of loans payable, including bonds, was ¥791.0 billion as of the end of the consolidated fiscal year under review.

There are no matters requiring special mention concerning major financing during the consolidated fiscal year under review.

(6) Description of the major businesses

The major businesses are the production and sale of alcohol beverages, non-alcohol beverages, foods, pharmaceuticals, and other products. The major products by business division are as follows:

Business division	Major products
Japan Integrated Beverages	Alcohol beverages including beer, <i>happo-shu</i> , new genre, wine, liquors, etc. and non-alcohol beverages
Overseas Integrated Beverages	Beer, liquors, non-alcohol beverages, dairy products, etc.
Pharmaceuticals and Biochemicals	Pharmaceuticals and biochemicals, etc.
Others	Dairy products, etc.

(7) Significant subsidiaries, etc.

1) Significant subsidiaries

Business division	Company name	Location	Capital	Ratio of shareholding	Description of major businesses
Japan Integrated Beverages	KIRIN Company, Limited	Nakano-ku, Tokyo	¥500 million	100%	Administration of Japan Integrated Beverages Business operations
	Kirin Brewery Company, Limited	Nakano-ku, Tokyo	¥30,000 million	100%	Production and sale of alcohol beverages
	Kirin Beer Marketing Company, Limited	Nakano-ku, Tokyo	¥500 million	100%	Sale of alcohol beverages
	Mercian Corporation	Nakano-ku, Tokyo	¥20,972 million	100%	Import, production and sale of alcohol beverages
	Kirin Beverage Company, Limited	Chiyoda-ku, Tokyo	¥8,416 million	100%	Production and sale of non-alcohol beverages
Overseas Integrated Beverages	Lion Pty Ltd	New South Wales, Australia	A\$7,530 million	100%	Management of alcohol beverages and non-alcohol beverages business in Oceania
	Brasil Kirin Participações e Representações S.A.	São Paulo, Brazil	R\$5,521 million	100%	Management of beer and non-alcohol beverages business in Brazil
Pharmaceuticals and Biochemicals	Kyowa Hakko Kirin Co., Ltd	Chiyoda-ku, Tokyo	¥26,745 million	50.1%	Production and sale of prescription medicine

(Note) The ratio of shareholding includes indirect holdings.

2) Significant affiliated companies

Business division	Company name	Location	Capital	Ratio of shareholding	Description of major businesses
Overseas Integrated Beverages	San Miguel Brewery Inc.	Metro Manila, the Philippines	₱15,410 million	48.4%	Production and sale of beer
	China Resources Kirin Beverages (Greater China) Company, Limited	British Virgin Islands	U.S. \$1,000	40.0%	Management of non-alcohol beverages business in China
Pharmaceuticals and Biochemicals	Kirin-Amgen, Inc.	California, U.S.A.	U.S. \$10	50.0%	Research and development of pharmaceuticals

(8) Major business offices, plants, etc.

1) Kirin Holdings Company, Limited

Head Office: 10-2, Nakano 4-chome, Nakano-ku, Tokyo, Japan

2) Subsidiaries

Business division	Company name	Major centers	
Japan Integrated Beverages	KIRIN Company, Limited	Head Office Laboratories	Nakano-ku, Tokyo 5 Laboratories including Brewing Technology Laboratory (Yokohama)
	Kirin Brewery Company, Limited	Head Office Plants	Nakano-ku, Tokyo 9 Plants including Yokohama Plant (Yokohama)
	Kirin Beer Marketing Company, Limited	Head Office Branch Offices	Nakano-ku, Tokyo 11 Regional Sales & Marketing Divisions including Metropolitan Regional Sales & Marketing Division (Chuo-ku, Tokyo)
	Mercian Corporation	Head Office Branch Offices Plants	Nakano-ku, Tokyo 8 Branches including Metropolitan Regional Sales & Marketing Branch (Chuo-ku, Tokyo) 3 Plants including Fujisawa Plant (Fujisawa)
Overseas Integrated Beverages	Kirin Beverage Company, Limited	Head Office Branch Offices Plants	Chiyoda-ku, Tokyo 7 Area Divisions including Kanto Metropolis Area Division (Chiyoda-ku, Tokyo) Shonan Plant (Samukawa-machi, Koza-gun, Kanagawa)
	Lion Pty Ltd	Head Office	New South Wales, Australia
Pharmaceuticals and Biochemicals	Kyowa Hakko Kirin Co., Ltd	Head Office Branch Offices	Chiyoda-ku, Tokyo 13 Branches including Tokyo Branch (Chuo-ku, Tokyo)
		Plants	4 Plants including Takasaki Plant (Takasaki) and Fuji Plant (Nagaizumi-cho, Suntou-gun, Shizuoka)
		Laboratories	5 Laboratories including Tokyo Research Park (Machida, Tokyo) and Fuji Research Park (Nagaizumi-cho, Suntou-gun, Shizuoka)

(9) Employees

Business division	Number of employees (persons)
Japan Integrated Beverages	12,164
Overseas Integrated Beverages	20,276
Pharmaceuticals and Biochemicals	7,152
Others	264
Administration	66
Total	39,922

- (Notes)
1. The number of employees indicates the number of employees currently on duty.
 2. The number of employees indicated as Administration is the number of employees of the Company, which is a holding company (excluding employees seconded by the Company and including employees seconded to the Company).

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

- 1) In February 2013, the Company transferred its entire holding of shares in Fraser and Neave Limited to TCC Assets Limited.
- 2) In July 2013, the Company transferred 81.0% (1,097 shares) of the outstanding shares held in Kirin Kyowa Foods Company, Limited to Mitsubishi Corporation. The remaining 19.0% (257 shares) will be transferred to the said company in January 2015.

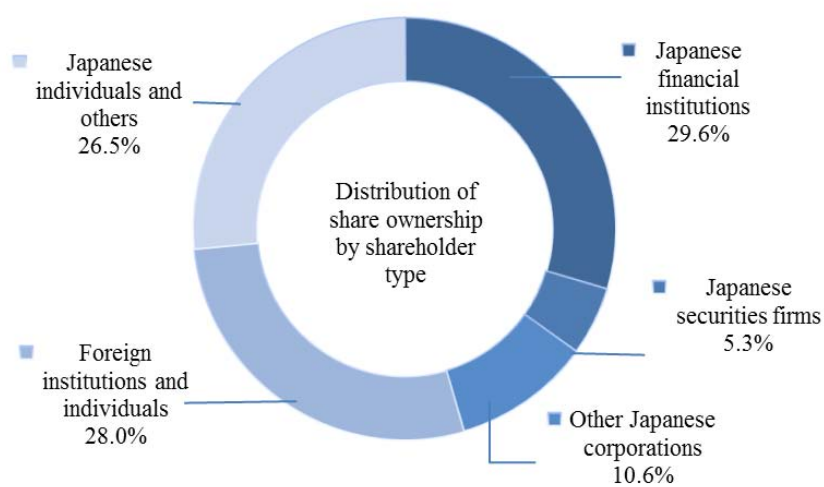
(11) Major lenders and the amount of loans

Lender	Outstanding amount of loan
Syndicated loans	¥316,251 million
Meiji Yasuda Life Insurance Company	¥45,000 million

- (Note) The syndicated loans consist of those arranged by The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the agent bank (including co-agent bank) and those arranged by Mizuho Bank, Ltd. as the agent bank.

2. State of shares

(1) Authorized shares	1,732,026,000 shares
(2) Outstanding shares	965,000,000 shares (No change from the end of the previous fiscal year)
(3) Number of shareholders	127,167 persons (Decreased by 10,548 persons from the end of the previous fiscal year)



(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)	48,223	5.2
Japan Trustee Services Bank, Ltd. (Trust account)	34,562	3.7
Meiji Yasuda Life Insurance Company	32,996	3.6
State Street Bank and Trust Company 505041	20,878	2.2
Isono Shokai, Limited	20,772	2.2
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,251	2.1
Japan Trustee Services Bank, Ltd. (Trust account 4)	17,107	1.8
Nomura Securities Co., Ltd.	15,561	1.7
The Bank of New York Mellon SA/NV 10	9,772	1.1
State Street Bank West Client-Treaty	9,636	1.0

(Note) Ratio of shares held excludes treasury stock (35,659 thousand shares).

(5) Other important matters concerning shares

According to the resolution of the Board of Directors Meeting held on February 13, 2014, the Company will change the number of shares constituting one unit from 1,000 shares to 100 shares as of April 1, 2014.

3. Status of the Company's Directors and Audit & Supervisory Board Members

(1) Names of Directors and Audit & Supervisory Board Members, etc.

Title	Name	Significant positions concurrently held at other companies	Responsibilities
President & CEO (Representative Director)	Senji Miyake	–	–
Managing Director (Representative Director)	Hirotake Kobayashi	Director, Brasil Kirin Participações e Representações S.A.	Responsible for Group Business Investment and Alliance Strategy; Group Information Strategy
Managing Director (Representative Director)	Hajime Nakajima	Director, KIRIN Company, Limited Outside Director, Kyowa Hakko Kirin Co., Ltd	Responsible for Group Production and Logistics Strategy; Group R&D Strategy; Group Quality and Environment Strategy
Managing Director*	Toru Suzuki	Director, San Miguel Brewery Inc.	Responsible for Group CSR Strategy; Group Legal
Director	Masahito Suzuki	Director, KIRIN Company, Limited Director, Lion Pty Ltd	Responsible for Group Financial Strategy; Group PR & IR Strategy
Director	Keisuke Nishimura	Director, San Miguel Brewery Inc. Director, China Resources Kirin Beverages (Greater China) Company, Limited	Responsible for Group Personnel & General Affairs Strategy; Group Procurement Strategy
Director	Shigemitsu Miki	Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Outside Statutory Auditor, MITSUBISHI MOTORS CORPORATION Outside Director, Mitsubishi Electric Corporation Outside Director, Mitsubishi Logistics Corporation	–

Title	Name	Significant positions concurrently held at other companies	Responsibilities
Director	Toshio Arima	Executive Advisor, Fuji Xerox Co., Ltd. Outside Director, Resona Holdings, Inc. Outside Director, Fuji Heavy Industries Ltd. Chairman of the Board, Global Compact Japan Network	–
Standing Audit & Supervisory Board Member	Kazuyoshi Suzusho	Outside Company Auditor, Kyowa Hakko Kirin Co., Ltd	–
Standing Audit & Supervisory Board Member	Naoki Hyakutake	Corporate Auditor, KIRIN Company, Limited Corporate Auditor, Mercian Corporation	–
Audit & Supervisory Board Member	Kazuo Tezuka	Attorney at Kaneko & Iwamatsu Outside Corporate Auditor, Asahi Kasei Corp.	–
Audit & Supervisory Board Member	Nobuyuki Oneda	Outside Director, KOKUYO CO., LTD. Outside Director, UKC Holdings Corporation	–
Audit & Supervisory Board Member	Kimie Iwata	Advisor, SHISEIDO CO., Ltd. External Director, Japan Airlines Co., Ltd. President, Japan Institute of Workers' Empowerment	–

- (Notes) 1. Director marked with an asterisk (*) newly assumed office as of March 28, 2013.
2. Messrs. Shigemitsu Miki and Toshio Arima are outside Directors.
3. Messrs. Kazuo Tezuka and Nobuyuki Oneda and Ms. Kimie Iwata are outside Audit & Supervisory Board Members.
4. Business relations involving cash loans, etc. exist between the Company and The Bank of Tokyo-Mitsubishi UFJ, Ltd., where Director Mr. Shigemitsu Miki holds a significant position concurrently.
5. Business relations involving document storage business, etc. exist between the Company and Mitsubishi Logistics Corporation, where Director Mr. Shigemitsu Miki holds a significant position concurrently.
6. Business relations associated with copy machines transactions exist between the Company and Fuji Xerox Co., Ltd., where Director Mr.

Toshio Arima holds a significant position concurrently.

7. Audit & Supervisory Board Member Mr. Nobuyuki Oneda held the position of CFO at SONY CORPORATION and has a wealth of expertise in finance and accounting.
8. Director Mr. Toshio Arima and Audit & Supervisory Board Members Messrs. Kazuo Tezuka and Nobuyuki Oneda and Ms. Kimie Iwata are independent officers as required by the provisions that Tokyo Stock Exchange, Inc., etc. prescribed.
9. Directors listed hereunder retired as of March 28, 2013.

Managing Director	Hiroshi Ogawa
Managing Director	Seiichi Hashimoto

(2) Remunerations, etc. to Directors and Audit & Supervisory Board Members for the fiscal year under review

Type	Annual remuneration monthly paid		Bonus		Total (millions of yen)
	Number of persons	Amount (millions of yen)	Number of persons	Amount (millions of yen)	
Directors	10	310	8	122	432
Outside Directors	2	23	2	2	25
Audit & Supervisory Board Members	5	104	5	14	119
Outside Audit & Supervisory Board Members	3	35	3	3	38
Total	15	415	13	137	552
External Officers	5	58	5	5	63

- (Notes) 1. Eight (8) Directors and five (5) Audit & Supervisory Board Members remain in their positions as of the end of the fiscal year under review. The total amount above includes the remunerations to two (2) Directors who retired from office as of March 28, 2013.
2. The remuneration limit for Directors is ¥50 million per month (Resolved at the 164th Annual General Meeting of Shareholders on March 28, 2003).
3. The remuneration limit for Audit & Supervisory Board Members is ¥9 million per month (Resolved at the 167th Annual General Meeting of Shareholders on March 30, 2006).
4. The above bonus for Directors and Audit & Supervisory Board Members is an amount expected to be paid on condition that the proposal No. 4 of the 175th Annual General Meeting of Shareholders is approved as proposed.

(3) Major activities of external officers during the fiscal year under review

Title	Name	Attendance at Board of Directors Meetings	Attendance at Audit & Supervisory Board Meetings	Statements contribution
Director	Shigemitsu Miki	18 times of 20 meetings	–	He made statements based on his experience and perspective as a bank management executive.
	Toshio Arima	19 times of 20 meetings	–	He made statements based on his experience and perspective as a corporate management executive.
Audit & Supervisory Board Member	Kazuo Tezuka	19 times of 20 meetings	12 times of 13 meetings	He made statements primarily from his professional perspective as an attorney.
	Nobuyuki Oneda	19 times of 20 meetings	12 times of 13 meetings	He made statements based on his experience and perspective as a corporate management executive.
	Kimie Iwata	20 times of 20 meetings	13 times of 13 meetings	She made statements based on her experience and perspective in government administration and as a corporate management executive.

4. Status of Independent Accounting Auditor

(1) Name of Independent Accounting Auditor

KPMG AZSA LLC

(2) Remunerations to the Independent Accounting Auditor

1)	Amount of remunerations paid for services as the Independent Accounting Auditor during the fiscal year under review	¥119 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	¥339 million

(Notes) 1. The audit agreement between the Independent Accounting Auditor and the Company does not separately stipulate audit remunerations based on the Corporate Law or the Financial Instruments and Exchange Act. Furthermore, such remunerations are practically undividable. Hence, the remunerations in 1) above do not separate these two types of payment.

2. Among the significant subsidiaries of the Company, three (3) companies including Kyowa Hakko Kirin Co., Ltd are subject to audits of financial statements (limited to audits stipulated in the Corporate Law or the Financial Instruments and Exchange Act (including similar foreign laws)) by a certified public accountant or an auditing firm (including overseas auditors possessing similar qualifications) other than the Independent Accounting Auditor of the Company.

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

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

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 Accounting Auditor, the Company's Board of Directors shall, with the consent of, or upon a request from, the Audit & Supervisory Board, submit a proposal calling for the dismissal of the Independent Accounting Auditor to the General Meeting of Shareholders. Alternatively, if it is determined that a change of Independent Accounting Auditor is necessary because of the manner in which the Independent Accounting Auditor is executing its duties or because of the Company's system of auditing, etc., the Board of Directors shall submit a proposal calling for the denial of reappointment of the Independent Accounting Auditor to the General Meeting of Shareholders.

5. System to ensure the appropriate operations

The outline of a system to ensure 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 ensure 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 Group Internal Audit shall carry out internal auditing to ensure 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 ensure 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 Meetings of Shareholders
- Minutes of Board of Directors Meetings
- Minutes of the Group Executive Committee Meetings and other significant meetings
- Approval applications (approval authority of Directors 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 Group Internal Audit shall carry out internal auditing to ensure that these systems are properly developed and applied.

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

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

- In addition to 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 ensure the appropriate operations for group companies comprising a company, its parent company, and subsidiaries (“Group Internal Control System”)

In order to ensure 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 Group Internal Audit
 - * 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 Audit & Supervisory Board Members when Audit & Supervisory Board Members request support staff (together with (7), (8) and (9) below, “Audit & Supervisory Board Member Related System”)

Employees of the Company will be assigned as support staff for Audit & Supervisory Board Members.

(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 ensure independence of the employees assigned as support staff as mentioned in the preceding provision, the consent of the Audit & Supervisory Board Members 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 ensure reporting by Directors and employees to Audit & Supervisory Board Members, and other systems to ensure reporting to Audit & Supervisory Board Members

The Directors shall report to the Audit & Supervisory Board Members on matters specified by the Audit & Supervisory Board Members in advance in accordance with the provisions of the Audit & Supervisory Board Members' 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 Audit & Supervisory Board Members
- The status of maintenance and application of internal control system

Notwithstanding the set matters, an Audit & Supervisory Board Member may request the Directors and employees to report on other matters any time as necessary.

(9) Other Systems to ensure efficient auditing by Audit & Supervisory Board Members

Audit & Supervisory Board Members 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, 2013)

(¥ millions)

ASSETS

Current assets	<u>814,788</u>
Cash and time deposits	113,759
Notes and accounts receivable, trade	396,113
Merchandise and finished goods	136,494
Work in process	34,488
Raw materials and supplies	54,063
Deferred tax assets	27,432
Other	56,297
Allowance for doubtful accounts	(3,860)
Non-current assets	<u>2,081,667</u>
Property, plant and equipment	<u>764,378</u>
Buildings and structures	223,104
Machinery, equipment and vehicles	240,804
Land	186,820
Construction in progress	74,805
Other	38,844
Intangible assets	<u>836,936</u>
Goodwill	649,519
Other	187,417
Investments and other assets	<u>480,351</u>
Investment securities	376,155
Deferred tax assets	44,585
Other	64,902
Allowance for doubtful accounts	(5,291)
<hr/>	
Total assets	<u>2,896,456</u>

LIABILITIES

Current liabilities	<u>659,898</u>
Notes and accounts payable, trade	155,863
Short-term loans payable and long-term debt with current maturities	118,410
Bonds due within one year	30,000
Liquor taxes payable	82,718
Income taxes payable	28,429
Allowance for employees' bonuses	5,571
Allowance for bonuses for directors and company auditors	266
Accrued expenses	114,774
Other	123,864
Non-current liabilities	<u>935,831</u>
Bonds	259,454
Long-term debt	383,213
Deferred tax liabilities	71,340
Deferred tax liability due to land revaluation	1,286
Employees' pension and retirement benefits	62,461
Retirement benefits for directors and company auditors	260
Reserve for repairs and maintenance of vending machines	4,238
Reserve for environmental measures	1,407
Reserve for loss on litigation	30,711
Allowance for loss on plants reorganization	3,390
Deposits received	62,033
Other	56,032
Total liabilities	<u>1,595,729</u>

NET ASSETS

Shareholders' equity	<u>980,071</u>
Common stock	102,045
Capital surplus	81,417
Retained earnings	850,511
Treasury stock, at cost	(53,903)
Accumulated other comprehensive income	<u>95,790</u>
Net unrealized gains on securities	44,506
Deferred gains or losses on hedges	128
Land revaluation difference	(2,581)
Foreign currency translation adjustments	53,737
Subscription rights to shares	306
Minority interests	224,558
<hr/>	
Total net assets	1,300,726
<hr/>	
Total liabilities and net assets	2,896,456
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*Amounts are stated by omitting fractions less than ¥1 million.

CONSOLIDATED STATEMENT OF INCOME

(From January 1, 2013 to December 31, 2013)

		(¥ millions)
Sales		2,254,585
Cost of sales		1,287,590
Gross profit		966,995
Selling, general and administrative expenses		824,177
Operating income		142,818
Non-operating income		
Interest income	4,429	
Dividend income	2,634	
Equity in earnings of affiliates	1,643	
Net foreign currency translation gain	3,304	
Other	4,543	16,555
Non-operating expenses		
Interest expense	21,351	
Other	5,887	27,239
Ordinary income		132,134
Special income		
Gain on sale of property, plant and equipment and intangible assets	22,729	
Gain on sale of investment securities	46,959	
Gain on sale of shares of subsidiaries and affiliates	1,793	
Other	1,744	73,227
Special expenses		
Loss on disposal of property, plant and equipment and intangible assets	3,259	
Loss on sale of property, plant and equipment and intangible assets	2,677	
Loss on impairment	14,017	
Loss on devaluation of investment securities	2	
Loss on sale of investment securities	187	
Business restructuring expense	9,689	
Loss on applying special taxation measures of foreign subsidiaries	8,422	
Provision for loss on plants reorganization	3,390	
Other	6,508	48,155
Income before income taxes and minority interests		157,206
Income taxes — current	59,265	
Income taxes — deferred	(6,007)	53,257
Income before minority interests		103,948
Minority interests		18,292
Net income		85,656

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From January 1, 2013 to December 31, 2013)

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2013	102,045	81,415	796,737	(3,509)	976,689
Changes of items during the period					
Dividends from surplus			(31,921)		(31,921)
Net income			85,656		85,656
Acquisition of treasury stock				(50,417)	(50,417)
Disposal of treasury stock		1		23	25
Reversal of land revaluation difference			38		38
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	1	53,773	(50,394)	3,381
Balance as of December 31, 2013	102,045	81,417	850,511	(53,903)	980,071

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Net unrealized gains on securities	Deferred gains or losses on hedges	Land revaluation difference	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance as of January 1, 2013	59,113	(9,298)	(2,543)	(75,017)	(27,746)	203	204,754	1,153,901
Changes of items during the period								
Dividends from surplus								(31,921)
Net income								85,656
Acquisition of treasury stock								(50,417)
Disposal of treasury stock								25
Reversal of land revaluation difference								38
Net changes of items other than shareholders' equity	(14,607)	9,427	(38)	128,755	123,536	103	19,804	143,444
Total changes of items during the period	(14,607)	9,427	(38)	128,755	123,536	103	19,804	146,825
Balance as of December 31, 2013	44,506	128	(2,581)	53,737	95,790	306	224,558	1,300,726

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

BALANCE SHEET

(As of December 31, 2013)

(¥ millions)

ASSETS

Current assets	<u>167,031</u>
Cash and time deposits	60,934
Accrued income	453
Short-term loans receivable	103,865
Deferred tax assets	685
Other	1,393
Allowance for doubtful accounts	(301)
Non-current assets	<u>1,750,181</u>
Property, plant and equipment	30,271
Buildings	18,581
Structures	1,068
Machinery and equipment	67
Vehicles	2
Tools, furniture and fixtures	1,791
Land	8,590
Construction in progress	170
Intangible assets	<u>67</u>
Leasehold rights	60
Utility rights	7
Investments and other assets	<u>1,719,842</u>
Investment securities	88,919
Investments in shares of subsidiaries and affiliates	1,615,927
Investments in other equity interests of subsidiaries and affiliates	9,367
Long-term loans receivable	685
Other	6,018
Allowance for doubtful accounts	(1,074)
<hr/>	
Total assets	<u>1,917,213</u>

LIABILITIES

Current liabilities	<u>309,093</u>
Short-term loans payable and long-term debt with current maturities	266,314
Bonds due within one year	30,000
Non-trade accounts payable	3,039
Accrued expenses	1,796
Income taxes payable	7,210
Allowance for employees' bonuses	211
Allowance for bonuses for directors and company auditors	144
Other	377
Non-current liabilities	<u>624,944</u>
Bonds	239,983
Long-term debt	344,900
Employees' pension and retirement benefits	199
Deferred tax liabilities	15,756
Asset retirement obligations	1,186
Other	22,918
Total liabilities	<u>934,037</u>

NET ASSETS

Shareholders' equity	<u>953,351</u>
Common stock	<u>102,045</u>
Capital surplus	<u>81,422</u>
Additional paid-in capital	81,412
Other capital surplus	9
Retained earnings	<u>823,786</u>
Legal reserve	25,511
Other retained earnings	798,275
Reserve for deferred gain on sale of property	836
General reserve	705,367
Retained earnings carried forward	92,070
Treasury stock, at cost	(53,903)
Valuation and translation adjustments	<u>29,823</u>
Net unrealized gains on securities	<u>29,823</u>
<hr/>	
Total net assets	983,175
<hr/>	
Total liabilities and net assets	1,917,213
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*Amounts are stated by omitting fractions less than ¥1 million.

STATEMENT OF INCOME

(From January 1, 2013 to December 31, 2013)

(¥ millions)

Operating revenue		
Group management revenue	1,241	
Revenue from real estate business	3,962	
Dividend revenue from subsidiaries and affiliates	53,840	59,043
Operating expenses		
Expenses of real estate business	1,329	
General and administrative expenses	9,579	10,909
Operating income		48,134
Non-operating income		
Interest and dividend income	2,958	
Rental income	690	
Net foreign currency translation gain	1,081	
Other	354	5,084
Non-operating expenses		
Interest expense	8,943	
Other	1,469	10,412
Ordinary income		42,807
Special income		
Gain on sale of property, plant and equipment and intangible assets	15,412	
Gain on sale of investment securities	46,261	
Gain on sale of shares of subsidiaries and affiliates	1,019	62,693

Special expenses		
Loss on sale and disposal of property, plant and equipment and intangible assets	671	
Loss on devaluation of shares of subsidiaries and affiliates	446	
Loss on sale of shares of subsidiaries and affiliates	6,993	
Other	1,449	9,560
Income before income taxes		95,940
Income taxes – current		11,995
Income taxes – deferred		(2,677)
Net income		86,621

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

STATEMENT OF CHANGES IN NET ASSETS

(From January 1, 2013 to December 31, 2013)

(¥ millions)

	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 deferred gain on sale of property	General reserve	Retained earnings carried forward			
Balance as of January 1, 2013	102,045	81,412	8	81,420	25,511	1,284	671,367	70,921	769,085	(3,509)	949,043
Changes of items during the period											
Transfer to reserve for deferred gain on sale of property						(448)		448	-		-
Transfer to general reserve							34,000	(34,000)	-		-
Dividends from surplus								(14,903)	(14,903)		(14,903)
Dividends from surplus (interim dividends)								(17,017)	(17,017)		(17,017)
Net income								86,621	86,621		86,621
Acquisition of treasury stock										(50,417)	(50,417)
Disposal of treasury stock			1	1						23	25
Net changes of items other than shareholders' equity											
Total changes of items during the period	-	-	1	1	-	(448)	34,000	21,149	54,700	(50,394)	4,308
Balance as of December 31, 2013	102,045	81,412	9	81,422	25,511	836	705,367	92,070	823,786	(53,903)	953,351

	Valuation and translation adjustments			Total net assets
	Net unrealized gains on securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of January 1, 2013	53,414	(9,046)	44,367	993,410
Changes of items during the period				
Transfer to reserve for deferred gain on sale of property				-
Transfer to general reserve				-
Dividends from surplus				(14,903)
Dividends from surplus (interim dividends)				(17,017)
Net income				86,621
Acquisition of treasury stock				(50,417)
Disposal of treasury stock				25
Net changes of items other than shareholders' equity	(23,590)	9,046	(14,544)	(14,544)
Total changes of items during the period	(23,590)	9,046	(14,544)	(10,235)
Balance as of December 31, 2013	29,823	-	29,823	983,175

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

Independent Auditor's Report

February 13, 2014

The Board of Directors
Kirin Holdings Company, Limited

KPMG AZSA LLC

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

Kentaro Onishi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Makoto Yamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Kirin Holdings Company, Limited as at December 31, 2013 and for the year from January 1, 2013 to December 31, 2013 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present 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 financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

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.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Independent Auditor's Report

February 13, 2014

The Board of Directors
Kirin Holdings Company, Limited

KPMG AZSA LLC

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

Kentaro Onishi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Makoto Yamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Kirin Holdings Company, Limited as at December 31, 2013 and for the year from January 1, 2013 to December 31, 2013 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary 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 financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

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.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

[English Translation of the Audit & Supervisory Board Members' Report Originally Issued in the Japanese Language]

Audit & Supervisory Board Members' Report

We the Audit & Supervisory Board Members of the Company, based on the audit reports prepared by each Audit & Supervisory Board Member regarding the performance of duties by the Directors during the 175th business year from January 1, 2013, to December 31, 2013, prepared this audit report upon deliberation and hereby report, by a unanimous show of hands, as follows:

1. Audit Methods by Audit & Supervisory Board Members and the Audit & Supervisory Board and its Details

The Audit & Supervisory Board established audit policy of this term, planning of audits, etc., and received reports from each Audit & Supervisory Board Member 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 Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, 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 Ordinance for Enforcement of the Companies Act and the status of the establishment and operation of the system (internal controls system) that the Directors conducted 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 Act, 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, audit & supervisory board members, 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 Rules 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 related notes) and the 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 related notes).

2. Results of Audit

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

1. In our opinion, the business report and the 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, including internal controls related to financial reporting, are fair and reasonable. In addition, we have not found anything that would need to be pointed out in relation to the performance of duties by the Directors regarding the internal controls system.

(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.

February 19, 2014

Audit & Supervisory Board
Kirin Holdings Company, Limited

Kazuyoshi Suzusho (Seal)
Standing Audit & Supervisory Board Member

Naoki Hyakutake (Seal)
Standing Audit & Supervisory Board Member

Kazuo Tezuka (Seal)
Outside Audit & Supervisory Board Member

Nobuyuki Oneda (Seal)
Outside Audit & Supervisory Board Member

Kimie Iwata (Seal)
Outside Audit & Supervisory Board Member

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