Disclosed Information on the Internet at the Time of Notifying Convocation of the 177th Annual General Meeting of Shareholders

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

Kirin Holdings Company, Limited

Notes to Consolidated Financial Statements

Significant Accounting Policies

1. Consolidation

(1) Consolidated subsidiaries: 211 companies

Major consolidated subsidiaries: Kirin Co., Ltd., Kirin Brewery Co., Ltd., Kirin Beer Marketing Co., Ltd., Mercian Corporation, Kirin Beverage Co., Ltd., Kirin Beverage Value Vendor Co., Ltd., Lion Pty Ltd, Brasil Kirin Holding S.A., Kyowa Hakko Kirin Co., Ltd.

Changes in the scope of consolidation during the year ended December 31, 2015 are as follows:

(a) Due to new establishment, 1 subsidiary of Kirin Brewery Co., Ltd. became a consolidated subsidiary.
(b) Due to new acquisition, Myanmar Brewery Limited became a consolidated subsidiary.
(c) Due to incorporation-type company split, Kirin Beverage Value Vendor Co., Ltd. became a consolidated subsidiary.
(d) Due to liquidation, 1 subsidiary of Kyowa Hakko Kirin Co., Ltd., and 1 subsidiary of Lion Pty Ltd were excluded from the consolidation scope.
(e) Due to mergers, 1 subsidiary of Kirin Beverage Co., Ltd., 2 subsidiaries of Lion Pty Ltd, and 2 subsidiaries of Kyowa Hakko Kirin Co., Ltd. were excluded from the consolidation scope.
(f) Due to a decrease in materiality, Siam Kirin Beverage Co., Ltd. was excluded from the consolidation scope.

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

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

2. Equity method

(1) Unconsolidated subsidiaries accounted for by the equity method: No companies

(2) Affiliated companies accounted for by the equity method: 15 companies

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

Changes in the scope of application of the equity method during the year ended December 31, 2015 are as follows:

(a) Due to new establishment, 1 affiliate of Kyowa Hakko Kirin Co., Ltd. became an affiliate accounted for by the equity method.
(b) Due to sale of shares, Yokohama Akarenga Inc. and 1 affiliate of Kirin Holdings USA were excluded from the scope of application of the equity method.

(3) Certain investments in unconsolidated subsidiaries including Chiyoda Transportation Co., Ltd. and affiliates including Diamond Sports Club Co., Ltd. were not accounted for by the equity method and were stated at cost because the effect of the Company's share of their net income or losses and retained earnings on the accompanying consolidated financial statements is immaterial individually and as a whole.

(4) Where fiscal year-ends of the affiliated companies accounted for by the equity method are different from that of the Company, the Company mainly used their financial statements as of their fiscal year-ends and for the years then ended for applying the equity method.

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

3. Fiscal year-ends of consolidated subsidiaries

The fiscal year-end of Lion Pty Ltd and its subsidiaries, and Myanmar Brewery Limited are September 30 and March 31, respectively.

For Lion Pty Ltd and its subsidiaries, the Company used the financial statements as of their fiscal year-end and for the year then ended for consolidation. For Myanmar Brewery Limited, the Company used the financial statements based on provisional settlement as of the fiscal year end, September 30, of Kirin Holdings Singapore Pte. Ltd., which holds the shares of Myanmar Brewery Limited directly. The Company made necessary adjustments for major transactions between September 30 and December 31.

The Company set the deemed date for the acquisition of Myanmar Brewery Limited as September 30, 2015 and consolidated the subsidiary based on the financial statements as of the same date. Therefore, the consolidated financial statements do not include the subsidiary's result of operations and only include its balance sheet.

4. Accounting policies

(1) Measurement of significant assets

(a) Marketable and investment securities

1) Held-to-maturity debt securities are stated at amortized cost.

2) Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average method.

3) Available-for-sale securities without fair market value are stated at the moving-average cost.

(b) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(c) Inventories

1) Merchandise, finished goods and semi-finished goods are mainly stated at the lower of cost determined by the periodic average method and net realizable value.

2) Raw materials, containers and supplies are mainly stated at the lower of cost determined by the moving-average method and net realizable value.

3) Cost of uncompleted construction contracts is stated at cost determined by the specific identification method.

(2) Property, plant and equipment and intangible assets

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

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated loss on impairment. Depreciation for the Company and its consolidated domestic subsidiaries is calculated using the declining-balance method except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method. Depreciation for overseas consolidated subsidiaries is calculated using the straight-line method.

(b) Intangible assets (excluding leased assets)
1) The Company and its consolidated domestic subsidiaries amortize intangible assets using the straight-line method.
2) Consolidated overseas subsidiaries mainly adopt the straight-line method over 20 years.

(c) Leased assets
Leased assets pertaining to finance lease transactions other than those involving a transfer of title
1) Depreciation is calculated by the straight-line method over the lease terms without residual value.
2) For finance lease transactions other than those involving a transfer of title that began prior to December 31, 2008, the previous operating lease method continues to be applied.

(3) Allowances and reserves

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

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

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

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

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

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

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

(h) Allowance for loss on plants reorganization
The Company and its consolidated subsidiaries provide allowance for reasonably estimated losses to be incurred in connection with plants reorganization.

(4) Net defined benefit liability

In calculating retirement benefit obligation, benefit formula attribution is used for attributing projected benefit obligation for the period up to the end of the current fiscal year.

Past service costs are amortized by the straight-line method over a certain number of years (5 - 15 years) within the average of the remaining years of service to be performed by the employees at the time of accrual.

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (10 - 15 years) within the average of the estimated remaining years of service to be performed by the employees at the time of accrual, beginning from the following fiscal year.

Unrecognized actuarial gains and losses and unrecognized past service costs are stated as remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after adjusting for tax effects.

(5) Hedge accounting

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains and losses resulting from changes in fair value of derivative financial instruments as “deferred gains or losses on hedges” in accumulated other comprehensive income in the consolidated balance sheet until the related gains and losses on the hedged items are recognized.

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

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

1) the difference, if any, between the amount in Japanese yen of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statement of income in the period which includes the inception date, and

2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(b) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

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

(6) Goodwill

Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheet and amortized using the straight-line method over periods mainly between 15 and 20 years. Any immaterial amounts are fully recognized as expenses as incurred.

(7) Consumption taxes

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

(8) Application of consolidated taxation regime

Consolidated taxation regime is applied by the Company and certain consolidated subsidiaries.

Changes in Accounting Policies

(Application of Accounting Standards regarding Business Combinations)
As the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; hereinafter the “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Consolidation Accounting Standard”), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Business Divestitures Accounting Standard”) and other standards became applicable from the beginning of fiscal years commencing on or after April 1, 2014, these accounting standards (except for the provisions stated in article 39 of the Consolidation Accounting Standard) have been applied from the year ended December 31, 2015. Accordingly, the accounting method has been changed such that the difference associated with changes in equity in subsidiaries remaining under the control of the Company is recorded as capital surplus, and acquisition-related costs are recorded as expenses for the fiscal year in which the costs are incurred. For business combinations implemented on or after January 1, 2015, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs on the finalization of provisional accounting treatment in the consolidated financial statements for the year containing the date of the business combinations.
With respect to application of the Accounting Standards regarding Business Combinations, the transitional treatment as prescribed in article 58-2 (3) of the Business Combinations Accounting Standard, article 44-5 (3) of the Consolidation Accounting Standard and article 57-4 (3) of the Business Divestitures Accounting Standard was applied. The cumulative impact of the retroactive application of the new accounting policies over all past periods at January 1, 2015 was reflected in capital surplus and retained earnings.
As a result of this change, as of January 1, 2015, goodwill, capital surplus, retained earnings, foreign currency translation adjustments, and minority interests decreased by ¥263,906 million, ¥81,417 million, ¥143,232 million, ¥39,191 million, and ¥65 million, respectively. Additionally, operating income, ordinary income, and income before income taxes and minority interests for the year ended December 31, 2015 all increased by ¥21,806 million.
As the cumulative impact was reflected on the net assets as of January 1, 2015, balance of capital surplus, retained earnings, foreign currency translation adjustments and minority interests as of January 1, 2015 in the consolidated statement of changes in net assets, decreased by ¥81,417 million, ¥143,232 million, ¥39,191 million and ¥65 million, respectively.
The effect on per share information is stated in the relevant section.

(Application of Accounting Standards regarding Retirement Benefits)
Effective from the year ended December 31, 2015, the Company has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter the "Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015; hereinafter the "Guidance"), in respect of the provisions stated in article 35 of the Standard and article 67 of the Guidance, whereby the method of calculating retirement benefit obligation and current service costs have been revised. Based on this revision, the method of attributing expected retirement benefits to periods has been changed from the straight-line basis to the benefit formula basis, while the method of determining discount rates has been changed from the method based on the average period until the expected timing of retirement benefits payment to the method using a single weighted average discount rate reflecting the period up to the expected timing of retirement benefits payment and the amount of retirement benefits payment for each period.
With respect to application of the Standard and the Guidance, the transitional treatment as prescribed in article 37 of the Standard was applied. As of January 1, 2015, the effect of the change in the method of calculating retirement benefit obligation and current service costs was reflected in retained earnings.
As a result of this change, as of January 1, 2015, net defined benefit asset decreased by ¥328 million, net defined benefit liability increased by ¥6,160 million and retained earnings decreased by ¥4,465 million. The effect of this change on operating income, ordinary income, and income before income taxes and minority interests for the year ended December 31, 2015 is immaterial.
The effect on per share information is stated in the relevant section.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

(Changes in depreciation method for property, plant and equipment)
With respect to the depreciation method for property, plant and equipment, the Company's consolidated subsidiary, Kyowa Hakko Kirin Co., Ltd. and its consolidated domestic subsidiaries had previously adopted the declining-balance method except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which were depreciated using the straight-line method. However, starting from the year ended December 31, 2015, the method has been changed to the straight-line method.
This consolidated subsidiary group conducted a review of its depreciation method in conjunction with the completion of a considerable part of the capital investments in the large-scale new manufacturing facilities in line with the reorganization of manufacturing sites based on the "Basic Production Strategy" (formulated in 2009, pharmaceuticals business) and the "Reorganization Plan of Yamaguchi Production Center" (formulated in 2010, bio-chemicals business).
In the pharmaceuticals business, the Company anticipates stable operation of manufacturing facilities as it expects long-term steady manufacturing due to improved efficiency as a result of the concentration of manufacturing sites through the reorganization, further progress in automation of manufacturing facilities and the outsourcing of smaller volume products, as well as the effect of recently-launched new drugs and others. Furthermore, in terms of research and development, the Company anticipates stable operation of research and development facilities as a result of efforts to reduce the uncertainty risk of research and development by introducing drug-discovery technologies at the early stages of development in addition to the promotion of proprietary drug-discovery research.
In the bio-chemicals business, the Company anticipates stable operation of manufacturing

facilities in conjunction with the multi-purpose plant and the acceleration of automation, which will enable the manufacturing of multiple products.

The Company, upon comprehensively taking into account the above factors, has determined that the allocation of costs through depreciation over the useful life on a straight-line basis starting from the year ended December 31, 2015 at the consolidated subsidiary group would better reflect the actual conditions. As a result of this change, for the year ended December 31, 2015, compared to previous method, depreciation decreased by ¥3,266 million, operating income increased by ¥2,268 million, and ordinary income and income before income taxes and minority interests increased by ¥2,300 million.

Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment ¥1,192,854 million

2. Amount deducted from property, plant and equipment due to subsidies received from governments and others ¥2,696 million

3. Assets pledged as collateral and secured borrowings

(1) Assets pledged as collateral

Buildings and structures		¥10,501 million
Machinery, equipment and vehicles		¥39,972 million
Land		¥205 million
Investment securities		¥798 million
	Total	¥51,479 million

(2) Secured borrowings

Short-term loans payable and long-term debt with current maturities		¥11,871 million
Long-term debt		¥32,228 million
Deposits received		¥66 million
	Total	¥44,167 million

4. Contingent liabilities

(1) Guarantees for loans from banks and others of unconsolidated subsidiaries and affiliated companies		¥705 million
(2) Guarantees for loans from banks and others of employees		¥1,124 million
(3) Guarantees for loans from banks and others of customers		¥1,640 million
	Total	¥3,470 million

5. Tax litigation and other matters

Consolidated subsidiaries of the Company in Brazil are in tax-related litigation with the tax authority over ICMS (State Value-Added Tax), PIS (Social Integration Program), COFINS (Social Security Contribution) and others, in addition to labor-related litigation and civil lawsuits. Although “Reserve for loss on litigation” has been recorded in order to provide for the expected losses on these litigation and lawsuits, BRL1,585,889 thousand (¥48,988 million) associated with tax-related litigation, BRL396,957 thousand (¥12,262 million) associated with labor-related litigation and BRL175,071 thousand (¥5,407 million) associated with civil lawsuits have not been recorded as reserves as of December 31, 2015, because the risks of losses in the future are classified by management as only possible upon consideration of the individual risks of each contingent event based on the opinion of outside legal advisers.

6. Trade notes discounted ¥26 million

Notes to the Consolidated Statement of Income

1. Major costs and amounts of selling, general and administrative expenses

Sales promotion	¥244,424 million
Freight	¥72,211 million
Advertising	¥68,825 million
Retirement benefit expenses	¥13,327 million
Salaries and wages of employees	¥151,642 million
Research and development	¥61,250 million
Depreciation	¥40,952 million
Preferential treatment for special taxation measures of foreign subsidiaries	¥(16,019) million

2. Presentation of gain or loss on currency swaps and forward foreign exchange contracts
   Net foreign currency translation loss is stated after offsetting gain on currency swaps and forward foreign exchange contracts (¥5,303 million) that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies.

3. Loss on impairment
   The Company and its consolidated subsidiaries classified property, plant and equipment and intangible assets into groups based on the respective type of business, which are the units for making investment decisions. However, certain goodwill of foreign subsidiaries including Australian subsidiaries was classified into groups of units which represent the lowest level at which the goodwill is monitored for internal management purposes. For idle properties, each property is considered to constitute a group. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independent from other assets or group of assets.

   The Company and its consolidated subsidiaries recognized loss on impairment for certain groups of assets for the year ended December 31, 2015 as follows:

Usage	Location	Type
Assets used for business (Japan Integrated Beverages Business)	Chiyoda-ku, Toshima-ku, Tokyo	Buildings and structures, others in intangible assets and other assets
Assets used for business (Oceania Integrated Beverages Business)	Australia	Machinery, equipment and vehicles, land, tools, furniture and fixtures
Assets used for business (Other Overseas Integrated Beverages Business)	Brazil, and one other	Goodwill, others in intangible assets, machinery, equipment and vehicles, tools, furniture and fixtures
Assets for rent (Pharmaceuticals and Bio-chemicals Business)	Hofu-shi, Yamaguchi	Land
Idle properties	Sakai-shi, Osaka, and 16 others	Land, buildings and other assets

   Carrying amounts of certain assets were devalued to their recoverable amount or memorandum value because (i) some assets used for Japan Integrated Beverages Business were judged that there was no prospect of recovering investments due to decline in profitability, (ii) Australian subsidiary in Oceania Integrated Beverages Business decided to integrate production facilities for assets used for business, (iii) assets used for business of Brazilian subsidiary in Other Overseas Integrated Beverages Business was revalued in accordance with International Financial Reporting Standards in response to sharp decline in sales volume due to intensifying competition and increase in raw material costs due to weakening local currency , (iv) some assets

used for Pharmaceuticals and Bio-chemicals Business was judged that there was no prospect of recovering investments due to the change in usage of assets from assets used for business to assets for lease and (v) the fair value of idle properties substantially declined compared to their carrying value . As a result, the Company recognized loss on impairment of ¥123,385 million and business restructuring expense of ¥767 million recorded under special expenses in the consolidated statement of income for such devaluation, comprising ¥71,623 for goodwill, ¥43,607 million for intangible assets and others, ¥5,450 million for land, ¥2,777 million for machinery, equipment and vehicles, ¥361 million for tools, furniture and fixtures, ¥301 million for buildings and structures and ¥30 million for construction in progress.
The recoverable value of each group of assets is the higher of net selling price (fair value less cost to sell or appraised value) or value in use calculated by discounting future cash flows at a discount rate of 5.0% for the Company and consolidated domestic subsidiaries. Discount rates of 12.4% to 14.8% were used for the calculation of value in use of assets recorded at consolidated foreign subsidiaries depending on the situation of each subsidiary.

Notes to the Consolidated Statement of Changes in Net Assets

1. Type and number of shares outstanding and treasury stock
(1) Shares outstanding

Type of shares outstanding	common stock
Number of shares as of January 1, 2015	965,000,000 shares
Number of shares increased during the year ended December 31, 2015	—
Number of shares decreased during the year ended December 31, 2015	51,000,000 shares
Number of shares as of December 31, 2015	914,000,000 shares

(2) Treasury stock

Type of treasury stock	common stock
Number of shares as of January 1, 2015	52,452,089 shares
Number of shares increased during the year ended December 31, 2015	20,833 shares
Number of shares decreased during the year ended December 31, 2015	51,001,890 shares
Number of shares as of December 31, 2015	1,471,032 shares

Notes:
1. Increase in the number of shares was due to purchases of less-than-one-unit shares.
2. Decrease in the number of shares was due to sales of 1,890 less-than-one-unit shares and retirement of 51,000,000 shares based on the resolution of the Board of Directors.

2. Matters related to dividends
(1) Dividend payments

Approvals by Annual General Meeting of Shareholders held on March 27, 2015 were as follows:
Dividend on Common Stock
a. Total amount of dividend ¥17,338 million
b. Dividend per share ¥19.00
c. Record date December 31, 2014
d. Effective date March 30, 2015

Approvals by the Board of Directors Meeting held on August 5, 2015 were as follows:
Dividend on Common stock
a. Total amount of dividend ¥17,338 million
b. Dividend per share ¥19.00
c. Record date June 30, 2015
d. Effective date September 2, 2015

(2) Dividends whose record date is attributable to, but to be effective after, the year ended December 31, 2015.

Matters to be discussed by Annual General Meeting of Shareholders to be held on March 30, 2016 are as follows:
Dividend on Common Stock
a. Total amount of dividend ¥17,338 million

b. Source of dividends	Retained earnings
c. Dividend per share	¥19.00
d. Record date	December 31, 2015
e. Effective date	March 31, 2016

Notes for Financial Instruments

1. Overview of financial instruments

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risks

Trade receivables, such as notes and accounts receivable, trade, are exposed to customer credit risk. Trade receivables denominated in foreign currencies arising from global business development are exposed to foreign currency exchange risk.
Marketable securities and investment securities, which mainly consist of stocks issued by companies with which the Company and its consolidated subsidiaries have business relationships, are exposed to market risk.
Substantially all trade payables, such as notes and accounts payable, trade, have payment due dates within one year. Some trade payables denominated in foreign currencies arising from import of raw materials are exposed to foreign currency exchange risk.
The purpose of short-term loans payable and commercial paper is mainly to fund short-term working capital and the purpose of long-term debt and bonds is mainly to fund necessary amounts for investments and long-term working capital. Some loans payable bear variable interest rates and are exposed to interest rate fluctuation risk.
Regarding derivatives, the Company and its consolidated subsidiaries enter into forward foreign exchange contracts, currency swaps and others, for the purpose of hedging foreign currency exchange risk deriving from trade receivables and payables denominated in foreign currencies and loans to group companies, and interest rate swaps for the purpose of hedging interest rate fluctuation risk deriving from interest payments on debt.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the default risk for customers and counterparties)
In accordance with the internal policies of the Company and its consolidated subsidiaries for managing credit risk arising from trade receivables, each related sales division monitors credit worthiness of their main customers and counterparties on a periodical basis and monitors due dates and outstanding balances by individual customer. In addition, the Company and its consolidated subsidiaries are making efforts to quickly identify and mitigate risks of bad debts from customers who are having financial difficulties.
The Company and its consolidated subsidiaries believe that the credit risk of derivatives is insignificant as it enters into derivatives only with financial institutions which have a high credit rating.

(b) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)
Regarding trade receivables and payables denominated in foreign currencies, the Company and its consolidated subsidiaries generally utilize forward foreign exchange contracts and others, to hedge the foreign currency exchange risks identified for each currency on a monthly basis. Currency swaps are utilized to mitigate interest rate risk on loans denominated in foreign currencies which are

made to foreign subsidiaries. In addition, interest rate swaps are utilized to mitigate interest rate fluctuation risk deriving from interest payments on debt.
For marketable securities and investment securities, the Company and its consolidated subsidiaries periodically review their fair values and the financial position of the issuers. Additionally, the Company and its consolidated subsidiaries continuously evaluate whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.
In conducting and managing derivative transactions, the division in charge of each derivative transaction follows the internal management policies, which define delegation of authority and position limits. Actual transaction data are regularly reported to the Director of Financial Division.

(c) Monitoring of liquidity risk related to fund procurement (the risk that the Company and its consolidated subsidiaries may not be able to meet their obligations on scheduled due dates)
In order to manage liquidity risk, the Company and its consolidated subsidiaries timely prepare and update cash flow plans based upon the report from each division and maintain fund liquidity.

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

2. Fair values of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of December 31, 2015, their fair values, and the differences. Financial instruments whose fair values are deemed extremely difficult to assess are not included.

(¥ millions)

	Book value	Fair value	Difference
ASSETS			
(1) Cash and time deposits	66,465	66,465	—
(2) Notes and accounts receivable, trade	397,692	397,692	—
(3) Marketable securities and investment securities			
Available-for-sale securities	163,174	163,174	—
Total assets	627,331	627,331	—
LIABILITIES			
(1) Notes and accounts payable, trade	142,052	142,052	—
(2) Short-term loans payable and long-term debt with current maturities	128,160	128,160	—
(3) Bonds due within one year	30,000	30,093	93
(4) Liquor taxes payable	84,904	84,904	—
(5) Income taxes payable	20,281	20,281	—
(6) Bonds	194,991	204,079	9,087
(7) Long-term debt	403,952	409,473	5,520
Total liabilities	1,004,343	1,019,044	14,701
Derivative transactions (*)	5,365	5,365	—

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

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

ASSETS

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

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

(3) Marketable securities and investment securities

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

LIABILITIES

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

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

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

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

(7) Long-term debt

The fair value of long-term debt is measured as the present value, calculated by discounting the combined total of principal and interest by an assumed interest rate for similar new borrowings. However, for long-term debt which is the hedged item for interest rate swaps and certain hedging criteria are met, the present value of the combined total of principal and interest is discounted by using the rates of relevant interest rate swaps.

Derivative transactions

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

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

The fair value of interest rate swaps which are accounted for using the special treatment is included in that of the corresponding hedged long-term debt as those interest rate swaps are recorded as an adjustment to interest expense of hedged instruments under the special treatment.

2. Book values of financial instruments for which fair values are deemed extremely difficult to assess

(¥ millions)

Classification	Consolidated balance sheet amount
Investment securities a. Unlisted equity securities (Equity securities issued by affiliates and others)	234,150
b. Unlisted equity securities (Other securities)	15,416
c. Other	1,685
Investments and other assets-other a. Investments in equity of affiliates and others	297
Deposits received	56,701

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

Notes for Per Share Information

1. Net assets per share:	¥727.48
2. Net loss per share:	¥51.87

As noted in “Changes in accounting policies,” the Company has applied the Accounting Standards regarding Business Combinations, in compliance with the transitional treatment as prescribed in article 58-2 (3) of the Business Combinations Accounting Standard, article 44-5 (3) of the Consolidation Accounting Standard and article 57-4 (3) of the Business Divestitures Accounting Standard. The cumulative impact of the retroactive application of the new accounting policies over all past periods at January 1, 2015 was reflected in capital surplus and retained earnings. As a result, net assets per share for the fiscal year ended December 31, 2015 decreased by ¥265.23, and net loss per share decreased by ¥23.89.

As noted in “Changes in accounting policies,” the Company has applied the Application of Accounting Standards regarding Retirement Benefits in compliance with transitional treatment as prescribed in the article 37 of the Standard. As of January 1, 2015, the effect of the change in the method of calculating retirement benefit obligation and current service costs was reflected in retained earnings. As a result, net assets per share for the fiscal year ended December 31, 2015 decreased by ¥4.89. The effect of this change on net loss per share is immaterial.

Notes for Subsequent Events

There are no matters to report under this item.

Additional Information

Impact of change in corporation tax rate
Following the promulgation of the “Partial Revision of Income Tax Act, etc.” (Act No. 9 of 2015) and the “Partial Revision of Local Tax Act, etc.” (Act No. 2 of 2015) on March 31, 2015, the statutory tax rate will be lowered in stages from the fiscal years beginning on or after April 1, 2015. As a result, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities as of December 31, 2015 was changed from the previous 35.6% to 33.1% for temporary differences expected to be eliminated during the fiscal year beginning on January 1, 2016, and 32.2% for temporary differences expected to be eliminated during the fiscal years beginning on or after January 1, 2017. As a result of this change, as of and for the year ended December 31, 2015, deferred tax assets decreased by ¥446 million. Additionally, income taxes-deferred, net unrealized gains on securities, remeasurements of defined benefit plans, and deferred gains or losses on hedges increased by ¥2,856 million, ¥2,863 million, ¥423 million, and ¥31 million, respectively.
In addition, deferred tax liability due to land revaluation and land revaluation difference both decreased by ¥119 million.

Notes to Financial Statements

Significant Accounting Policies

1. Measurement of assets

(1) Measurement of securities

(a) Shares of subsidiaries and affiliates are stated at cost determined by the moving-average method.

(b) Available-for-sale securities

1) Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average method.

2) Available-for-sale securities without fair market value are stated at the moving-average cost.

(2) Derivative financial instruments

Derivative financial instruments are stated at fair value.

2. Property, plant and equipment and intangible assets

(1) Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated loss from impairment. Depreciation of property, plant and equipment is calculated using the declining-balance method, except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method.

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

3. Allowances and reserves

(1) Allowance for doubtful accounts

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

(2) Allowance for employees’ bonuses

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

(3) Allowance for bonuses for directors and company auditors

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

(4) Employees’ pension and retirement benefits

The Company provides allowance for employees’ pension and retirement benefits at the balance sheet date based on the estimated amounts of projected retirement benefit obligations and the fair value of the plan assets at the end of the fiscal year. In calculating retirement benefit obligation, the benefit formula basis is used for attributing expected retirement benefits for the period up to the end of the current fiscal year. Past service costs are amortized by the straight-line method over a certain number of years (13 years) within the average of the remaining years of service to be performed by the employees at the time of accrual. Actuarial gains and losses are amortized by the straight-line method over a certain number of years (13 years) within the average of the estimated remaining years of service to be performed by the employees at the time of accrual, beginning from the following fiscal year.

4. Other significant matters serving as the basis for the preparation of financial statements

(1) Employees' pension and retirement benefits

Unrealized actuarial gains and losses and unrealized past service costs relating to employees' pension and retirement benefits are accounted for differently from the accounting method used in the consolidated financial statements.

(2) Hedge accounting

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

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

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

1) the difference, if any, between the amount in Japanese yen of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and

2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(b) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

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

(3) Consumption taxes

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

(4) Application of the consolidated taxation regime

The Company applies the consolidated taxation regime.

Changes in Accounting Policies

(Application of Accounting Standards regarding Retirement Benefits)
Effective from the current fiscal year, the Company has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter the "Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015; hereinafter the "Guidance"), in respect of the provisions stated in article 35 of the Standard and article 67 of the Guidance, whereby the method of calculating retirement benefit obligation and current service costs have been revised. Based on this revision, the method of attributing expected retirement benefits to periods has been changed from the straight-line basis to the benefit formula basis, while the method of determining discount rates has been changed from the method based on the average period until the expected timing of retirement benefits payment to the method using a single weighted average discount rate reflecting the period up to the expected timing of retirement benefits payment and the amount of retirement benefits payment for each period.
With respect to application of the Standard and the Guidance, the transitional treatment as prescribed in article 37 of the Standard was applied. As of January 1, 2015, the effect of the change in the method of calculating retirement benefit obligation and current service costs was reflected in retained earnings carried forward.
As a result of this change, as of January 1, 2015, employees' pension and retirement benefits increased by ¥161 million and retained earnings carried forward decreased by ¥121 million. The effect of this change on operating income, ordinary income, and loss before income taxes for the current fiscal year is immaterial.

Notes to the Balance Sheet

1. Monetary debts due from and to subsidiaries and affiliates

Short-term monetary debts due from subsidiaries and affiliates	¥141,571 million
Long-term monetary debts due from subsidiaries and affiliates	¥1,613 million
Short-term monetary debts due to subsidiaries and affiliates	¥202,236 million
Long-term monetary debts due to subsidiaries and affiliates	¥2,379 million

2. Accumulated depreciation of property, plant and equipment ¥ 20,494 million

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

4. Contingent liabilities

Guarantees for loans from banks and others of subsidiaries and affiliates		¥28,439 million
Guarantees for employee housing loans from banks		¥1,114 million
	Total	¥29,553 million

Notes to the Statement of Income

1. Transactions with subsidiaries and affiliates (excluding those separately presented)

Operating revenue	¥955 million
Operating expenses	¥1,593 million
Transactions other than business transactions	¥1,863 million

2. Presentation of gain or loss on currency swaps and forward foreign exchange contracts
   Loss on currency swaps and forward foreign exchange contracts (¥105 million) that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies is included in "Other" under non-operating expenses after offsetting foreign currency translation gain.

3. Loss on devaluation of shares of subsidiaries and affiliates
   Loss on devaluation of shares of subsidiaries and affiliates mainly includes loss on devaluation of shares of Brasil Kirin Holding S.A., a consolidated subsidiary of the Company.

Notes to the Statement of Changes in Net Assets

Type of treasury stock	common stock
Number of shares as of January 1, 2015	52,452,089 shares
Number of shares increased during the year ended December 31, 2015	20,833 shares
Number of shares decreased during the year ended December 31, 2015	51,001,890 shares
Number of shares as of December 31, 2015	1,471,032 shares

Notes:
1. Increase in the number of shares was due to purchases of less-than-one-unit shares.
2. Decrease in the number of shares was due to sales of 1,890 less-than-one-unit shares and retirement of 51,000,000 shares based on the resolution of the Board of Directors.

Notes for Deferred Income Taxes

1. Significant components of deferred tax assets

Investments in shares and other equity interests of subsidiaries and affiliates	¥132,446 million
Other	¥4,299 million
Subtotal	¥136,746 million
Less valuation allowance	¥(135,512)million
Total deferred tax assets	¥1,234 million

2. Significant components of deferred tax liabilities

Net unrealized gains on securities	¥(15,990)million
Other	¥(787)million
Total deferred tax liabilities	¥(16,777)million

3. Impact of change in corporation tax rate

Following the promulgation of the "Partial Revision of Income Tax Act, etc." (Act No. 9 of 2015) and the "Partial Revision of Local Tax Act, etc." (Act No. 2 of 2015) on March 31, 2015, the statutory tax rate will be lowered in stages from the fiscal years beginning on or after April 1, 2015. As a result, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities as of December 31, 2015 was changed from the previous 35.6% to 33.1% for temporary differences expected to be eliminated during the fiscal year beginning on January 1, 2016, and 32.2% for temporary differences expected to be eliminated during the fiscal years beginning on or after January 1, 2017.

As a result of this change, as of and for the year ended December 31, 2015, net amount of deferred tax liabilities decreased by ¥1,686 million, and income taxes-deferred and net unrealized gains on securities increased by ¥2 million and ¥1,688 million, respectively.

Notes for Transactions with Related Parties

Type	Company name	Ratio of voting rights held by the Company [Indirect ownership]	Relationship with the Company	
			Directors and company auditors	Business relationship
Subsidiary	Kirin Co., Ltd.	100%	Concurrent 2	Consignment of management guidance service Lending and borrowing of funds Consignment of indirect business
Subsidiary	Kirin Brewery Co, Ltd.	Indirect 100%	-	Lending and borrowing of funds
Subsidiary	Kirin Beverage Co, Ltd.	Indirect 100%	-	Lending and borrowing of funds
Subsidiary	Lion Pty Ltd	100%	Concurrent 2	Consignment of management guidance service Financial support Guarantees
Subsidiary	Brasil Kirin Holding S.A.	100%	-	Consignment of management guidance service Financial support
Subsidiary	Kirin Holdings Singapore Pte. Ltd	100%	-	Consignment of management guidance service Financial support
Subsidiary	Kyowa Hakko Kirin Co., Ltd.	53%	Concurrent 2	Lending and borrowing of funds

Type	Company name	Transaction details	Transaction amount (¥ millions)	Item	Balance at end of year (¥ millions)
Subsidiary	Kirin Co., Ltd.	Borrowing of funds (Notes 1 and 3)	37,660	Short-term loans payable	34,269
Subsidiary	Kirin Brewery Co, Ltd.	Lending of loans (Notes 1 and 2)	94,490	Short-term loans receivable	69,511
Subsidiary	Kirin Beverage Co, Ltd.	Borrowing of funds (Notes 1 and 3)	25,168	Short-term loans payable	21,533
Subsidiary	Lion Pty Ltd	Lending of loans (Notes 1 and 2)	20,351	Short-term loans receivable	22,200
		Interest income (Note 2)	751	-	-
		Guarantees (Note 4)	28,439	-	-
Subsidiary	Brasil Kirin Holding S.A.	Lending of loans (Notes 1 and 2)	20,000	Short-term loans receivable	20,000
Subsidiary	Kirin Holdings Singapore Pte. Ltd	Underwriting of capital increase (Note 5)	74,836	-	-
		Sales of shares of subsidiaries and affiliates (Note 6)	2,674	-	-
Subsidiary	Kyowa Hakko Kirin Co., Ltd.	Borrowing of funds (Notes 1 and 3)	58,817	Short-term loans payable	96,030

Conditions of transactions and policy regarding determination of conditions of transactions

Notes:

1. Transaction amounts of lending and borrowing of funds show average outstanding balances during this fiscal year.
2. Interest rates of loans receivable are determined based on market interest rates.
3. Interest rates of loans payable are determined based on market interest rates.
4. The Company provides a guarantee for bank loans of Lion Pty Ltd.
5. The Company underwrote the capital increase of Kirin Holdings Singapore Pte. Ltd.
6. Shares of Interfood Shareholding Company and Vietnam Kirin Beverage Company, Limited held by the Company were sold and their sales prices were determined taking into account their corporate values.
7. Transaction amounts above do not include foreign exchange gains or losses. Transaction amounts do not include consumption taxes.

Notes for Per Share Information

1. Net assets per share:	¥845.45
2. Net loss per share:	¥214.41

Notes for Subsequent Events

There are no matters to report under this item.