

KIRIN

ONE IN DIVERSITY

Kirin Holdings Company, Limited

Annual Report 2012

Year ended December 31, 2012



PROFILE

LEVERAGING OUR DIVERSITY

The Kirin Group consists of 257 consolidated subsidiaries, one unconsolidated subsidiaries accounted for using the equity method and 17 affiliated companies accounted for using the equity method. The Group, which has a total work force of over 40,000 employees, is headed by a pure holding company, Kirin Holdings Company, Limited.

Using knowledge accumulated over more than a century of business, the Kirin Group has continually worked to meet the quality expectations of its customers by applying innovative manufacturing technology, including advanced fermentation methods, to the creation of products that bring out the full potential of nature.

In recent years, the Kirin Group has accelerated the expansion of its core business activities in the fields of alcohol beverages, non-alcohol beverages and pharmaceuticals, not only in Japan, but also globally, especially in the Asia-Oceania region. By working together across business and regional boundaries to create new value, we will continue to help people worldwide to find well-being, pleasure and comfort through all of the Kirin Group's products and services.

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



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

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FORWARD-LOOKING STATEMENTS

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

CORPORATE PHILOSOPHY

THE JOY OF FOOD AND WELL-BEING

We pride ourselves on offering products based on what people want.

We pride ourselves on our ability to harness the goodness of nature through innovative technology.

We pride ourselves on delivering tangible satisfaction and quality in everything we make.

All of which ensures that we exceed consumers' expectations.

And naturally, we do not stop there.

As we look forward with vision and dreams, we aim to continue offering food and health products that bring new joy to people's lives everywhere.

Always a step ahead, the Kirin Group supports health, pleasure and comfort in your life.

GOOD TASTE MAKES YOU SMILE

The Kirin Group's commitment to deliver, for another 100 years, superior taste and a new level of joy through our entire range of products and services.

That's how we make you smile.



A DIVERSITY OF BUSINESSES AND BRANDS

The Kirin Group is globally pursuing an integrated beverage group strategy that brings together its core alcohol beverages and non-alcohol beverages businesses. Our goal is to maximize customer value across our entire integrated beverages business by bringing together the knowledge and experience of companies in different business segments and strengthening collaboration across entire value chains. The integrated beverages business accounts for approximately 80% of the total net sales of the Kirin Group. We are continually expanding our business activities, not only in Japan, but also in Oceania and Brazil. We are also focusing on Southeast Asia and China.

KIRIN

Kirin Company, Limited provides overall coordination of the Kirin Group's core segment, Japan integrated beverages business. Kirin Brewery Company, Limited and Mercian Corporation are the Kirin Company subsidiaries responsible for the domestic alcohol beverages business, and Kirin Beverage Company, Limited oversees the domestic non-alcohol beverages business. The Kirin Group has built a strong market presence backed by powerful brand assets accumulated over many years in numerous product categories, including beer, RTD [ready to drink], wines and tea.



(¥ billion)

Net Sales	866.8
Operating Income	70.9

JAPAN

KYOWA HAKKO KIRIN

In the pharmaceuticals business, Kyowa Hakko Kirin Co., Ltd. supplies ethical pharmaceuticals based primarily on antibody technology research, focusing mainly on the fields of nephrology, oncology and immunology/allergy. Kyowa Hakko Kirin is also involved in the bio-chemical business and supplies a variety of fine chemicals, especially amino acids and nucleic acids. The company is globally active, especially in Japan, Europe and the United States, at all stages from research and development to product sales.



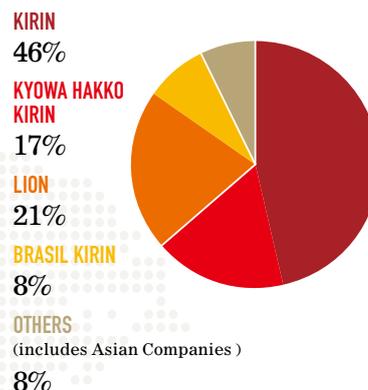
(¥ billion)

Net Sales	322.9
Operating Income	61.7

Our other core business area is pharmaceuticals and biochemicals, which has become a reliable income base for the Kirin Group. As a global specialty pharmaceutical company specializing in categories that include nephrology, oncology, immunology/allergy and central nervous system, we are active primarily in Japan, Europe and North America.

By building a balanced portfolio of regions and businesses, the Kirin Group has been able to achieve sustainable growth even when confronted by rapid change in the global business environment.

FY2012 SHARE OF NET SALES



OCEANIA

LION

Lion Pty Ltd is a leading beverage and food company with a portfolio that includes many of Australia and New Zealand's favorite brands. Lion's operations include the manufacture and sale of beer, wines, spirits, milk, fresh daily foods, fruit juices, cheese and soy.



(¥ billion)

Net Sales	396.6
Operating Income	49.6

ASIA

KIRIN HOLDINGS SINGAPORE

Kirin Holdings Singapore Pte, Ltd. is overseeing the development of the Kirin Group's beverages business in Southeast Asia, especially Thailand and Vietnam.

OTHER ASIAN COMPANIES

San Miguel Brewery, Inc. is involved in the beer business primarily in the Philippines, while China Resources Kirin Beverages (Greater China) Company Limited supplies beverages in China.



BRASIL KIRIN

Brasil Kirin Participações e Representações S.A. is involved in the beer and non-alcohol beverages businesses in Brazil. In the beer category, the company has gained the second biggest share of the Brazilian market thanks to strong support from customers in the rapidly growing markets of northern and northeastern Brazil. In its soft-drink beverages business, which is centered on carbonated drinks, Brasil Kirin has maintained the number-three position in carbonated drinks.



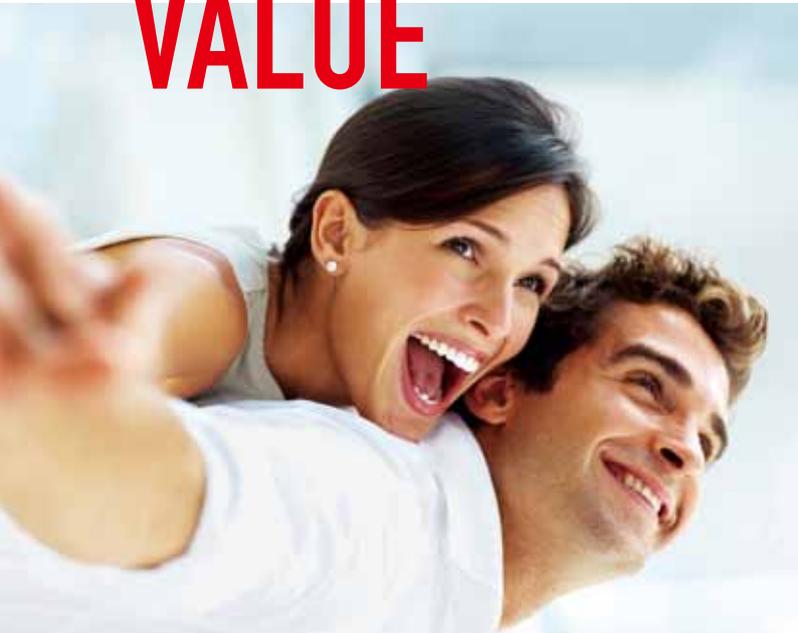
(¥ billion)

Net Sales	148.8
Operating Income	13.0

Notes: Operating income is calculated prior to amortization of goodwill.

The figures represent net sales and operating income in each region and business segment before adjustment for transactions between Group companies.

TOWARD A DIVERSITY OF VALUE



The goal of the Kirin Group is to redefine the joy of food and well-being by consistently creating high-quality products that match the needs of customers. Under the brand-centered philosophy shared by the Kirin Group, we aim to co-create brand value through engagement with customers and communities.

The Kirin Group is determined to achieve sound growth through flexible management based on global perspectives, but also matched to conditions in each region and community. We aim continuously to improve shareholder value while maintaining harmony with all stakeholders.

CO-CREATION OF BRAND VALUE WITH STAKEHOLDERS

The establishment and nurturing of strong brands are essential to the growth of the Kirin Group. To enhance brand value, we need to maintain a profound understanding of our customers and their communities, to describe the good qualities of our brands in our own words, and to express our product and corporate brands through our own actions. We create brand

value in partnership with our stakeholders, in particular with customers, by ensuring that our thoughts and actions resonate with all. This is the Kirin Group's approach to brand-centered management.



OUR ULTIMATE GOAL: CONTINUOUS IMPROVEMENT OF SHAREHOLDER VALUE

Shareholder support is one of the most important resources for business management. In October 2012, the Kirin Group adopted Kirin Group Vision 2021, a long-term business outlook with FY2021 as its final year. At the same time, we announced the 2013-2015 Medium-Term Management Plan covering the first stage of this vision.

To achieve sustainable, long-term improvement in shareholder value, we

will focus during the first three years on realizing returns on earlier strategic investments—to be accomplished through a transition to stable organic growth. Our approach to growing shareholder value over the medium and long-term also calls for prioritized measures to strengthen our financial structure, with particular emphasis on the generation of cash flows to support new investment in future growth.

ORGANIC GROWTH BASED ON STRONG REGIONAL LINKS

The achievement of reciprocal understanding with customers and communities in each country is the most important priority for the Kirin Group. Every community has different needs relating to alcohol beverages, non-alcohol beverages and foods, which are our core product categories. The Kirin Group optimizes its cash allocations according to the growth stage of each market, based on a philosophy that can be shared throughout the Group and a world-class

management system. At the same time, our respect for the management autonomy of our Group companies and their engagement with local communities allows us to maximize the potential of diverse brands developed for diverse markets. Within that framework, we will accelerate the creation of synergies through function sharing across regions and further enhance the corporate value of the entire Kirin Group.



A DIVERSITY OF OPERATING REGIONS AND MARKETS



JAPAN

Assure solid, organic growth

Japan is one of the world's biggest markets for alcohol and non-alcohol beverages. It is also a very sophisticated market in which a wide variety of products have been developed to meet finely nuanced consumer preferences. However, the Japanese market has entered a mature phase brought on by external changes, including a falling birthrate, demographic aging and a prolonged deflationary trend. This situation is reflected in escalating competition.

To ensure our survival in this challenging environment and create value spanning multiple segments, we established Kirin Company, Limited in January 2013 as the coordinating company for the Japan integrated beverages business. Kirin Brewery Company, Limited, Mercian Corporation and Kirin Beverage Company, Limited will work together under the leadership of this new company to achieve a return to growth in the domestic market by strengthening brands and creating innovative products.

KIRIN BREWERY: This company has a comprehensive line-up of brands in product categories that include beer, happo-shu, new genre products, non-alcoholic beer-taste beverages, RTD [ready to drink], imported spirits and Chinese liquor. Many of its products are ranked first or second in terms of market share.

Established over a century ago, Kirin Brewery has built a powerful reputation backed by its commitment to quality. The

Kirin brand continues to enjoy customer support as one of Japan's best-known names in the field of consumer goods. Kirin Brewery is focused on long-term brand development, and on the creation of new value to meet consumer needs.

MERCIAN: Mercian has achieved high brand recognition as a leading Japanese wine company. Japan's wine market has expanded steadily in recent years. Mercian aims to use its extensive line-up of domestic and imported products and expertise in offering new concepts to customers to drive further growth.

KIRIN BEVERAGE: *Kirin Gogo-no-Kocha* (Afternoon Tea) is the leading brand in the bottled tea category*. Key product categories also include Japanese tea, coffees and mineral water. In a fiercely competitive environment, Kirin Beverage continues to meet the challenge of applying its accumulated product development capabilities and expertise to the creation of new markets.

*Based on research by the Food Marketing Institute (actual data for FY2011)

INNOVATION

Kirin Brewery developed *Kirin Ichiban Shibori Frozen Draft Beer*, comprising a glass of draft beer topped by a sub-freezing head of fine-foam chilled to -5 °C. This new way to appreciate and enjoy beer, made possible by original technology, has created a sensation not only in Japan but also overseas, and will fully launch in several countries overseas in 2013.

Launched by Kirin Beverage in 2012, *Kirin Mets COLA* inhibits fat absorption during meals. It is the first cola-type beverage in history to be approved as a food for specified health uses. This innovative product meets the needs of today's health-conscious consumers and has become extremely popular.



NO. 1 IN THE NEW GENRE MARKET

The new genre market already accounts for over one-third of sales of beer-taste beverages in Japan and is still expanding. Kirin Brewery's *Kirin Nodogoshi Nama* has remained the number one* product in this market since its launch eight years ago. Overwhelming support from customers, focused on both price and quality, is helping to drive growth in Kirin Brewery's sales volume.

*Based on taxed shipments of "other miscellaneous liquors②" in 2005 and "other brewed liquors (carbonated)①" in 2006-2011





OCEANIA

Realize a strong and growing potential and unique regional identity

Australia has enjoyed sustained economic growth as a major resource-producing country. However, in recent years its economy has become conspicuously polarized between the buoyancy of the resource sector and slowing growth in other sectors. With its potential for population growth, this region remains an attractive market from a medium/long-term economic perspective.

LION PTY LTD: In 2009 Lion's status changed from consolidated subsidiary to wholly owned consolidated subsidiary.

Lion boasts an enviable brand portfolio spanning milk, juice, cheese, dairy products, soy beverages, beer, wine and spirits. Many of them are category leaders, and some are more than 100 years old.

Total alcohol consumption in Australia has followed a gradual downward trend since its peak in the 1970s. While the beer market has experienced declines in recent years as a result of consumer caution and poor weather, beer remains the most popular alcohol beverage in Australia, and in 2011, Australia still ranked among the top 10 countries in the world in terms of *per capita* beer consumption. In the medium/long-term future, consumption is expected to remain steady as a result of population growth.

In its alcohol beverages business in 2012, a number of international brand owners chose to partner with Lion in the Australian market, which has seen leading international premium brands such as *Corona Extra*, *Stella Artois* and *Guinness* join the portfolio. Lion's pre-existing portfolio continues to perform well and is geared towards growth categories such as craft beer, with brands such as *James Squire* and *Little Creatures*, and cider, with *Tooheys 5 Seeds*.

In food and beverages, Lion faces challenging market conditions and a highly competitive retail sector, with a growing prevalence of retailer-owned brands. Lion is implementing structural changes to achieve sustainable growth, including improving efficiencies and investing in high-potential brands to improve earnings over the medium-term future. To encourage future growth and grow value in the market, Lion is focused on innovation within the non-alcohol RTD [ready to drink] category.

NO. 1 SHARE OF BEER MARKET

In 2012 Lion became the leading brewer in Australia, and is already the leading brewer in New Zealand. The year also saw Lion's biggest beer brand, *XXXX Gold*, become Australia's most popular brand.

NOW AUSTRALIA'S TOP DAIRY DRINK

In 2012, *Dare* became Australia's number one dairy beverage in both the grocery and service station/convenience categories, its volume growing by more than 20%.



BRAZIL



Accelerate brand portfolio growth with customers

With a population of approximately 190 million, Brazil is the world's fifth-largest country. Its GDP growth rate has averaged around 4% over the past 10 years. Brazil will host the Soccer World Cup in 2014 and the Rio de Janeiro Olympics in 2016. Robust economic growth is expected to continue, driven by both population growth and rising personal incomes.

BRASIL KIRIN PARTICIPAÇÕES E REPRESENTAÇÕES S.A.: Brazil is the third largest beer market in the world after China and the United States and accounts for about 13% of world beer consumption. Market growth has averaged 5% over the past five years. Brasil Kirin (formerly Schincariol Participações e Representações S.A.), which in 2011 became a wholly owned consolidated subsidiary of Kirin Holdings, is building the Kirin Group's alcohol and non-alcohol beverages business in this massive consumer market. With beer brands that include *Nova Schin* and *Devassa Bem Loura*, Brasil Kirin is working to strengthen its position as the second-ranked company in the Brazilian beer market.

Carbonated drinks account for an extremely high 66% of the total beverages market in Brazil. Brasil Kirin manufactures and sells carbonated

drinks, fruit drinks and mineral water. It has gained the third-largest share of the carbonated drinks market with a product line-up centering on its mainstay *Schin* brand.

With 13 factories located throughout Brazil, Brasil Kirin has ample capacity to supply key markets. Another important advantage is a powerful marketing and sales organization with strong links in each area. The company aims to achieve even faster sales expansion and dramatic income growth by strengthening its marketing capabilities and improving the efficiency of its value chain. It is expected to make an important contribution as a growth driver for the overseas business activities of the Kirin Group.

13%

OF WORLD BEER CONSUMPTION

Brazil is the world's third biggest consumer of beer. Rapid economic development and sustained population growth have brought significant growth in the Brazilian beer market, which now accounts for 13% of world beer consumption. Beer consumption in Brazil is expected to increase by around 5% annually over the next five years.

AIMING FOR A STRONG NO. 2 MARKET POSITION

Brasil Kirin has dramatically expanded its share of the Brazilian beer market since the launch of *Nova Schin* in 2003. A key advantage for the company is its strong infrastructure in northern and northeastern Brazil, which are expected to achieve economic development in the future. Brasil Kirin aims to secure a position for itself as a strong number 2 in the market by further strengthening its brand portfolio.





ASIA

Build up strategic brand-centered foundations

Southeast Asian countries continue to achieve strong economic growth and are expected to remain important growth drivers for the world economy. While the Chinese economy is slowing down at present, it is still a big market based on the world's second biggest economy.

KIRIN HOLDINGS SINGAPORE PTE. LTD.: This company is responsible for the non-alcohol beverages business of Kirin Holdings in Southeast Asia, especially Thailand and Vietnam. Within Singapore, it is promoting the Kirin brand beer as a premium label. Preparations are also under way for the full-scale launch of non-alcohol beverages business in Indonesia.

SAN MIGUEL BREWERY, INC.: Based in the Philippines, this company is an equity method subsidiary of the Kirin Group. It has built a diverse brand portfolio centering on its main brands, *San Miguel Pale Pilsen* and *Red Horse*. In addition to its overwhelming position of leadership in the Philippine beer market, San Miguel Brewery has also achieved a high level of brand recognition in other Asian markets. It makes an important contribu-

tion to the Kirin Group by maintaining consistent income levels.

CHINA RESOURCES KIRIN BEVERAGES (GREATER CHINA) COMPANY LIMITED: This company was established in 2011 as a joint venture with a leading Chinese company, China Resources Enterprise. Its sales volumes have continued to greatly outpace the rapid expansion of the Chinese soft drink market. Its goal is to become the leading company in that market by accelerating its expansion into new product categories and markets.

GLOBAL GROWTH OF THE KIRIN BRAND

In Europe and North America, *KIRIN ICHIBAN* beer is marketed primarily through Japanese restaurants. However, in Taiwan, Shanghai and other Asian markets, Kirin has built consumer support by selling local products under the Kirin brand. In the soft drink category, the Kirin Group is gradually building awareness of the value of its brand. It has already established a presence centered on China, Thailand and Vietnam.





PHARMACEUTICALS AND BIO-CHEMICALS

Expand competitiveness and strengthen development

An important characteristic of the Kirin Group's business portfolio is its emphasis on pharmaceuticals and bio-chemicals. The Kirin Group first became involved in the pharmaceutical business in 1982, using fermentation technology developed through its brewing activities. In 2008, it formed a business and capital partnership with Kyowa Hakko Kogyo Co., Ltd., a leading company in the fermentation technology field. That partnership has since led to the establishment of Kyowa Hakko Kirin Co., Ltd. Kyowa Hakko Kirin's activities in the areas of pharmaceuticals and bio-chemicals have become a major source of earnings for the Kirin Group.

KYOWA HAKKO KIRIN: In the area of pharmaceuticals, Kyowa Hakko Kirin mainly supplies ethical pharmaceutical products for use in the fields of nephrology, oncology, immunology/allergy and the central nervous system. It has used advanced biotechnology to build a position for itself as a global specialty pharmaceutical company.

A key focus for Kyowa Hakko Kirin is the development of innovative new drugs in the field of antibody pharmaceuticals. The first therapeutic antibody drug using POTELLIGENT® technology, *POTELIGEO*® (Mogamulizumab), went on sale in Japan in May 2012 after receiving new drug application approval

for use as a treatment for adult T-cell leukemia/lymphoma. *POTELIGEO*®, as KW-0761, commenced Phase II clinical trials in the United States and Europe in August, also for use as a treatment for adult T-cell leukemia/lymphoma.

Kyowa Hakko Kirin is building a network linking all stages from research and development to sales in Japan, the United States, Europe and Asia. It is working with the ProStrakan Group plc, which was added to the consolidation in 2011, to expand its product portfolio and build its market presence in Europe and North America. Kyowa Hakko Kirin is also developing a new business model based on the biosimilar market through a joint venture established with FUJIFILM Corporation in 2012.

In the bio-chemicals field, Kyowa Hakko Bio Co., Ltd. uses advanced fermentation technology to produce high-grade bulk products, including pharmaceutical amino acid and nucleic acid substances and pharmaceutical raw materials, as well as various types of functional food ingredients.

PROMISING NEW ANTIBODY DRUG

Launched in May 2012, *POTELIGEO*® is the first therapeutic antibody drug based on Kyowa Hakko Kirin's exclusive POTELLIGENT® technology, which is used to produce antibodies with enhanced ADCC (antibody-dependent cellular cytotoxicity) activity. It has received new drug application approval for treatment of adult T-cell Leukemia/lymphoma. Kyowa Hakko Kirin is now actively marketing this product in Japan and preparing overseas launches.

DEVELOPMENT PIPELINE

Kyowa Hakko Kirin currently has approval applications pending in Japan for three products, which it expects to market commercially in the future.

KW-6002: A drug to treat Parkinson's disease. Application filed in March 2012.
KW-2246: Application filed in December 2012 for this drug, to be used to treat cancer pain. Saxagliptin: Kyowa Hakko Kirin will acquire development and marketing rights for the Type 2 diabetes drug saxagliptin from Otsuka Pharmaceutical Co., Ltd., which filed an application for the product in April 2012.

*See Page 41 for a full list of products in the development pipeline.



CONSOLIDATED FINANCIAL HIGHLIGHTS

Kirin Holdings Company, Limited and Consolidated Subsidiaries
Years ended December 31, 2012 and 2011

	Millions of yen		Percentage	Thousands of
	2012	2011	change (%)	U.S. dollars
For the year:				
Sales	¥ 2,186,177	¥ 2,071,774	5.5	\$ 25,250,369
Less liquor taxes	315,549	323,375	(2.4)	3,644,594
Net sales	1,870,627	1,748,398	7.0	21,605,763
Domestic alcohol beverages	536,502	545,104	(1.6)	6,196,604
Domestic non-alcohol beverages	335,340	314,568	6.6	3,873,180
Overseas beverages	579,391	454,216	27.6	6,691,972
Pharmaceuticals and bio-chemicals	322,976	332,843	(3.0)	3,730,376
Others	96,417	101,665	(5.2)	1,113,617
Operating income	153,022	142,864	7.1	1,767,405
Domestic alcohol beverages	63,357	70,580	(10.2)	731,774
Domestic non-alcohol beverages	4,450	2,802	58.8	51,397
Overseas beverages	27,610	15,388	79.4	318,895
Pharmaceuticals and bio-chemicals	55,503	49,447	12.2	641,060
Others	4,865	6,259	(22.3)	56,190
Adjustment	(2,764)	(1,613)	71.4	(31,924)
Operating income (Prior to amortization of goodwill, etc.)	202,675	189,812	6.8	2,340,898
Net income	56,198	7,407	658.7	649,087
EBITDA	297,185	247,602	20.0	3,432,490
Cash flows from operating activities	212,061	196,792	7.8	2,449,306
Cash flows from investing activities	(48,379)	(361,658)	(86.6)	(558,778)
Cash flows from financing activities	(160,008)	193,214	—	(1,848,094)
Free cash flow	163,681	(164,866)	—	1,890,517
At year-end:				
Total Assets	¥ 2,951,061	¥ 2,854,254	3.4	\$ 34,084,788
Interest-bearing debt	1,037,188	1,144,786	(9.4)	11,979,533
Shareholders' equity	948,943	852,922	11.3	10,960,302
	Yen			U.S. dollars
Per share data:				
Net income primary	¥ 123.86	¥ 70.58	75.5	1.430
Dividends	29.00	27.00	7.4	0.334
Value indicators:				
Operating income/sales (%)	7.0	6.9		
Operating income/net sales (%)	8.2	8.2		
Return on assets (%)	4.0	2.4		
Return on equity (%)	12.4	6.9		
Price/earnings ratio (times)	8.2	13.3		
Price/book value ratio (times)	1.0	1.1		
Debt/equity ratio (times)	1.02	1.25		

Notes: The U.S. dollars amounts in this report are included for the convenience of readers, converted at the rate of ¥86.58=US\$1.

Yen and U.S. dollar amounts are truncated.

Net income primary, ROA, ROE, PER are calculated prior to amortization of goodwill. Figures exclude losses with no effect on cash outflow.

KV2021 — CORE MANAGEMENT INDICES

GROWTH RATES OF NORMALIZED EBITDA AND EPS

Increase shareholder value by sustainably growing cash flow and strengthening earnings



**ACHIEVE SUSTAINABLE INCREASES
IN ENTERPRISE VALUE**

MEDIUM-TERM BUSINESS PLAN 2013–2015

QUANTITATIVE TARGETS

Mid single-digit CAGR in normalized
EBITDA

High single-digit CAGR in normalized
EPS

GUIDANCE ON BUSINESS PERFORMANCE

FY2015 Group consolidated sales
¥2,300
billion plus

Operating income
¥180
billion plus

FINANCIAL POLICY

Increase dividend with 30% consolidated payout ratio on normalized EPS



**ENHANCE
SHAREHOLDER
RETURNS**

Reduce interest-bearing debt



**INCREASE
FINANCIAL
FLEXIBILITY**

Note: Normalization: Removing extraordinary gains and losses and other non-operating items to reflect actual earnings more accurately. Starting from the 2013 MTBP, MTBP guidance on sales and operating income will be updated every year.

TO OUR SHAREHOLDERS



Senji Miyake

Senji Miyake

President & CEO

March 28, 2013

LEVERAGING DIVERSITY IN A CO-CREATION OF VALUE

THE FUNDAMENTAL PHILOSOPHY OF THE KIRIN GROUP EMPHASIZES RESPECT FOR PEOPLE, RESPECT FOR COMMUNITIES AND RECIPROCAL UNDERSTANDING.

The customer is the focus for every management policy and business activity of the Kirin Group. As a united group of people transcending differences of race, nationality, history and culture, our goal is to co-create brand value in partnership with customers and communities.

A key feature of the Kirin Group, and a source of great pride, is the high level of engagement that exists between individual employees—our greatest assets—and the organization, and between employees and thousands of local communities.

We all share a common vision to leverage our diversity and focus the total resources and energies of the Kirin Group toward the maximization of shareholder value.

IN 2012, WE ACHIEVED HIGHER SALES AND RECORD EARNINGS.

In FY2012, consumer spending trends remained firm in Japan, but the economy as a whole was weak. Business conditions were also affected by a continuing slowdown in overseas economies, especially in Europe and North America.

After the end of the second quarter, we made moderate changes to our forecasts for sales and operating income to reflect this environment. Ultimately, our overseas integrated beverages businesses made a major contribution to growth, and we largely achieved these amended forecasts. Consolidated net sales increased by 7.0% year on year to ¥1,870.6 billion, while consolidated operating income set a new record with a 7.1% year on year increase to ¥153.0 billion. There was also a significant improvement in consolidated net income, which reached ¥56.1 billion. This resulted from a reduction in extraordinary losses, which in the previous year included unrealized losses on sale of investment securities, as well as losses related to the Great East Japan Earthquake.

Segment results show that net sales from the Japan integrated beverages business were similar to the previous year's level, and that operating income was 7.6% lower year on year. There was dramatic growth in the results for the overseas integrated beverages business, with net sales rising by 27.6% year on year, and operating income by 79.4%. Net sales from the pharmaceuticals and bio-chemicals business were 3.0% down year on year, but operating income increased by 12.2%.

**LONG-TERM MANAGEMENT POLICIES
IMPLEMENTED OVER THE PAST
SIX YEARS HAVE MADE SIGNIFICANT
CONTRIBUTIONS TO OUR EVOLUTION AS
A GLOBAL ENTERPRISE.**

When our Long-term Management Vision, Kirin Group Vision (KV2015) was announced in 2006, the Kirin Group recorded net sales of ¥1.2 trillion with an overseas sales ratio of 19%, revealing how much of our main focus had been on the Japanese market. KV2015 is a bold growth strategy calling for the achievement of net sales of ¥2.5 trillion and an overseas sales ratio of 30% by 2015. Our achievements to date under this plan include an increase in our net sales to more than ¥1.8 trillion, and the dramatic expansion of our overseas business infrastructure. The Kirin Group has evolved into a global enterprise. We have now reached the stage at which we can use these achievements as the foundation for a new future growth vision.

The level of uncertainty in our business environment has risen relentlessly over the past few years. Since 2008, we have witnessed events that have caused major changes in business conditions, including the Lehman shock, the Great East Japan Earthquake, and the EU fiscal crisis and its impact on the world economy. Today, the world is a single market, and economic or political developments anywhere in the world impact directly on our business. And while we strive to anticipate the future, unpredictable events can happen at any time. In such times of uncertainty, we need a management roadmap. However, that roadmap needs to be both substantive and simple.

TARGETS AND RESULTS

	2006	2012 MTBP* target	2012 actual	KV2015 target
Sales	1,665.9	2,490.0	2,186.1	3,000.0
Net Sales	1,263.6	2,130.0	1,870.6	2,500.0
OP margin (excl. liquor tax)	9.2%	8.8%	8.2%	10% plus
Overseas sales composition (excl. liquor tax)	19%	29%	36%	Approx. 30%

*MTBP = mid-term business plan (FY2010–FY2012).

Although below target, profitability and efficiency improved. Kirin exceeded efficiency goals and expanded overseas foundations.

**WE CREATED A ROADMAP SHOWING
A CLEAR PATH THROUGH AN UNCERTAIN
BUSINESS ENVIRONMENT.**

What do we mean by sustained growth backed by Kirin's strengths? How must we proceed if we are to put our corporate philosophy into practice and earn the trust of stakeholders worldwide and to achieve corporate value that rises steadily regardless of changes in the business environment?

I created a roadmap showing the future direction of our Group vision, management planning and strategies. I then canvassed the views of senior management in Kirin Group companies in Japan and overseas, as well as large numbers of employees. The result was KV2021, a long-term management vision providing a clear roadmap to our future as a global group of diverse businesses working together under shared "One Kirin" core values. KV2021 defines our fundamental strategic direction during the nine years from 2013 to 2021, including the three-year period corresponding to the third stage of KV2015.

OUR GOAL IS THE CO-CREATION OF BRAND VALUE THROUGH DIALOGUE AND CONVERGENCE BETWEEN CUSTOMERS AND COMMUNITIES AND THE KIRIN GROUP.

Through KV2021, all Kirin Group companies will reaffirm and share our fundamental commitment to a “consumer-first approach” and “steady focus on quality.” The vision will also help people foster stronger bonds by offering customer-oriented and quality-focused value.

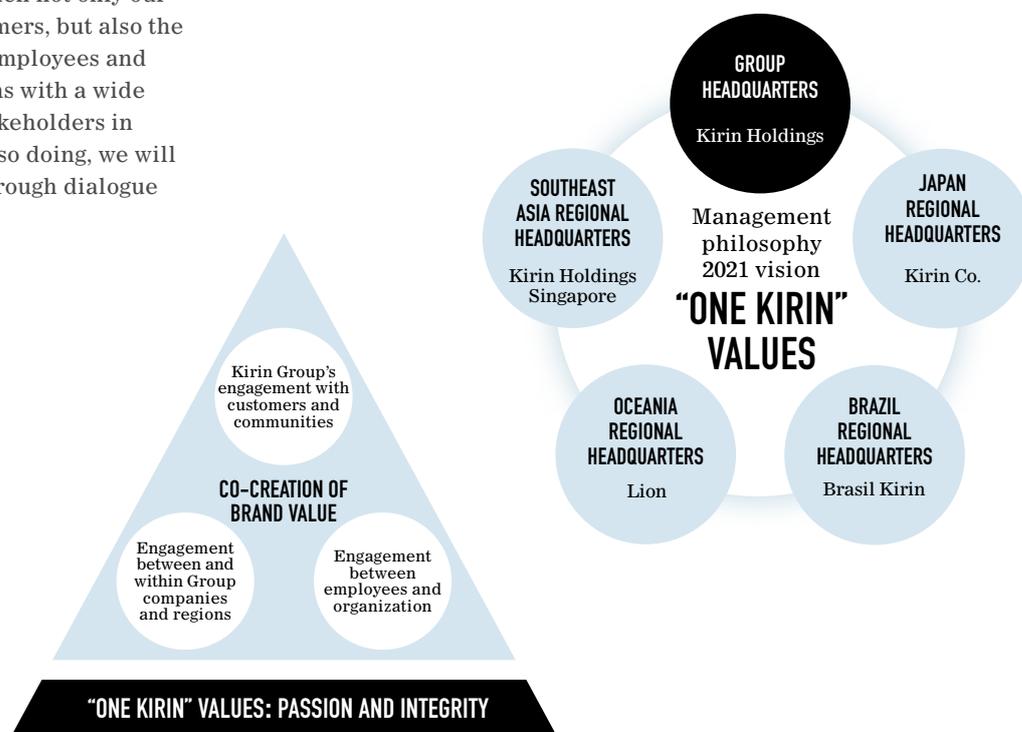
This vision is based on the idea that goods and services supplied by us should help to build better relationships and happy times in the lives of our customers.

This emphasis on the importance of human relationships is a shared value in the Kirin Group and will be the basis for our efforts to strengthen not only our relationships with customers, but also the level of engagement by employees and Kirin Group organizations with a wide variety of people and stakeholders in diverse communities. In so doing, we will co-create brand value through dialogue and convergence.

THE CUSTOMER WILL BE OUR BASIC FOCUS AS WE MOVE FORWARD TOWARD THE REALIZATION OF OUR “GLOBAL ONE KIRIN” CONCEPT.

Under KV2021, we will target organic growth through activities that reflect market characteristics in the countries and regions where we currently have business operations, including Japan, Oceania, Brazil, Southeast Asia and other regions.

We will base our activities on a federal organizational structure, with regional headquarters in Japan, Oceania, Brazil and elsewhere. These regional headquarters will be structured to allow autonomous



and timely management decision-making from perspectives that are closer to customers. The role of Kirin Holdings will be to allocate strategic management resources across businesses and regions, and to facilitate the creation of synergies through function sharing.

We will also establish an International Advisory Board (IAB) with members selected from among the directors of Group companies in each country and region. The IAB will act as an advisory organization for me as Kirin Holdings President and CEO. It will provide advice on various aspects of global growth strategies, risk management and governance.

SOME OF OUR MOST IMPORTANT TARGETS ARE CASH FLOW CREATION AND THE IMPROVEMENT OF SHAREHOLDER VALUE THROUGH THE REINFORCEMENT OF OUR EARNING POWER.

We have divided KV2021 into three stages. The first stage, for which we have clearly defined management policies, is the three-year period covered by the Kirin Group Medium-term Business Plan 2013–2015. Some of our most important targets under this plan are sustained cash flow creation and the improvement of shareholder value through the reinforcement of our earning power.

The quantitative targets are as follows:

- > **Mid single-digit CAGR in normalized EBITDA***
- > **High single-digit CAGR in normalized EPS***

We aim to achieve these targets by implementing the following three basic policies in relation to our business activities.

- > **Establish and deploy Kirin Group's brand-centered management approach**
- > **Deliver results according to the business stage of each region**
- > **Foster competitiveness and powerful brands that help Kirin promote further growth in the Japanese integrated beverages business**

We aim to expand shareholder returns and improve financial flexibility by implementing the following financial policies.

- > **Increase dividends with a 30% consolidated payout ratio on normalized EPS***
- > **Reduce interest-bearing debt**

*Normalization: Removing extraordinary gains and losses and other non-operating items to reflect actual earnings more accurately.

WE AIM TO ACHIEVE GROWTH IN PARTNERSHIP WITH REGIONS BY DEVELOPING DIVERSE BUSINESSES FOR DIVERSE REGIONS.

Our focus during the period covered by the Kirin Group Medium-term Business Plan 2013–2015 will be a three-year shift to organic growth. We define “organic growth” as self-sustaining growth through the achievement of results that surpass the current potential of existing business segments. To achieve organic growth, we will further strengthen our focus on brand-centered management.

Policies by region and area of business are follows:

Integrated beverages business in Japan: This is the most important business area for the Kirin Group and the source of value for the long-established Kirin brand. However, we continue to face fierce competition and chang-

ing market structures, and we believe that we need to rebuild our brand value in this environment. Under the leadership of Kirin Company, Limited, which is the coordinating company for the Japanese integrated beverages business, our business companies will work to strengthen the Kirin brand, enhance their innovation potential, and achieve a substantive improvement of organizational capacity. Initially the focus will be on investment, but by 2015 we aim to establish a virtuous circle of growth and investment that will put the business back onto a growth track and build long-term competitiveness.

Integrated beverages business in Oceania: Led by Lion Pty Ltd, these operations result in the biggest share of our overseas business earnings. Excellent marketing capabilities have been reflected in sustained growth. In recent years, business conditions have remained harsh for both the alcohol and non-alcohol beverages businesses. In this environment, Lion has worked steadily to strengthen its brand portfolio and implement radical structural reforms. These efforts are now starting to show results, and the company has moved into a new growth phase. Its main achievement has been to gain the biggest share of the Australian beer market, but it has also taken up new challenges in the soft drink business. We are confident that its earnings will grow steadily over the next three years.

Integrated beverages business in Brazil: This is a new pillar in our overseas business structure. Schincariol Participações e Representações S.A., which was acquired in 2011, was previously not achieving its full growth potential, but we implemented management reforms, and in its first year



the company substantially exceeded its performance targets. Now named Brasil Kirin Participações e Representações S.A., it has built a dynamic new brand image and is strengthening its business base in preparation for further growth. The Brazilian beer and non-alcohol beverages markets are expected to show strong growth in the medium-term future, and we are confident that Brasil Kirin's powerful presence in these markets will be a key driver of sales and income growth in the Kirin Group.

Integrated beverages business in Asia: Asia will be the center of world economic growth from now on and is an extremely important area for the long-term growth and development of the Kirin Group. San Miguel Brewery, Inc. in the Philippines has consistently maintained strong earning performance, and despite its status as an equity method affiliated company, it has become one of the main pillars of our business activities in Asia. Another key company in Asia is China Resources Kirin Beverages (Greater China) Company, Limited, an equity method affiliated company that is starting to achieve remarkable growth. This year, we

sold our shareholding in Fraser and Neave Limited, which we had earlier envisioned as a platform for our soft drink business in Southeast Asia. However, we remain focused on the challenge of expanding our business in Southeast Asia. While working dynamically to expand sales of Kirin brand products through our own efforts, we will continue to seek suitable partners according to our market strategies for each country in the region, and to build a business structure based on long-term perspectives.

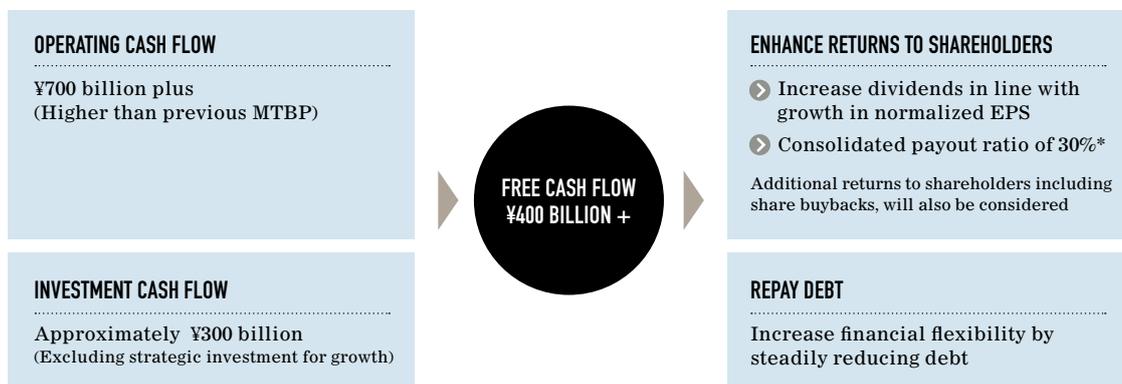
Pharmaceuticals and bio-chemicals business: This business ranks alongside the alcohol and non-alcohol beverages businesses as a core business area for the Kirin Group. We have continued to maintain high earning potential and achieve sustained growth in this area. The pharmaceutical business of Kyowa Hakko Kirin Co., Ltd. is

backed by world-class R&D capabilities in the field of ethical pharmaceuticals based on antibody technology. The company has built a unique position in the global pharmaceutical industry by specializing in fields in which it excels, including nephrology, oncology, immunology/allergy and the central nervous system. Over the next three years it will build foundations for a new phase of growth and success as a global specialty pharmaceutical company by expanding its development and marketing organizations in Europe, North America and Asia.

SHAREHOLDER RETURNS ARE THE FIRST PRIORITY FOR THE FINANCIAL STRATEGY.

Under the Kirin Group Medium-term Business Plan 2013–2015, we plan to generate operating cash flows of ¥700 billion or

CASH FLOW DURING 2013 MTBP



*Revised approach to calculating the consolidated payout ratio

As revised payout ratio of 30% based on the profit level (=Normalized EPS: net income for period after restoration of amortization of all goodwill, etc. and extraordinary gains or losses after income taxes etc.)

Previous payout ratio of 30%+ taking into account the impact of amortization of goodwill, etc. associated with investment for growth since 2007

higher and free cash flows of ¥400 billion or higher during the three-year period. The main drivers for this growth will be our integrated beverages businesses in Oceania and Brazil. Our first priorities for the use of these substantial free cash flows will be further reductions in interest-bearing debt, and the improvement of returns to shareholders.

The amount allocated for dividends in FY2013 will be approximately 24% higher than the 2012 total. We hope to make further increases in the future by linking dividends to growth in normalized EPS, which is our quantitative target indicator for the current medium-term plan. We announced in March 2013 that the Board of Directors has approved a share buy-back program for FY2013, authorizing up to ¥50 billion for purchases of common shares to improve returns to shareholders.

Interest-bearing debt amounted to ¥963.6 billion as of December 31, 2012, a reduction of ¥101.4 billion from the level a year earlier. Over the next three years we aim to reduce this amount by around one-quarter to improve our financial flexibility and prepare for future growth investment opportunities.

WE ARE MOVING FORWARD WITH JOINTLY CREATING SHARED VALUE BY SOCIETY AND THE COMPANY FOR THE BENEFIT OF BOTH, BELIEVING THIS WILL RESULT IN HIGHER SHAREHOLDER VALUE, AS WELL.

We believe that our brand-centered management approach requires the shared creation of value by society and the company through all of our business activities, and particularly through value chains. We will achieve this by taking traditional CSR to a new level through the introduction of a

new management concept known as “creating shared value” (CSV).

The CSV approach seeks to combine engagement in societal issues to create social value with improvement of a company’s competitive position. A company makes a commitment to work toward the solution of various social problems through its business activities or initiatives in closely related areas, with the aim of contributing to long-term development for both society and the company. In the past we have been involved in various activities of this type, including campaigns to eliminate drunk driving, and support for recovery efforts after the Great East Japan Earthquake. The CSV approach will take these initiatives to a higher level and, therefore, raise both our contribution to society and our corporate competitiveness. We will apply the CSV concept first to the Japan integrated beverages business, but we intend to expand the approach in the future to include our entire Group, including overseas companies.

The Kirin Group is committed not only to the pursuit of corporate income, but also to closer engagement with all stakeholders. Our goal is to achieve sustainable growth in partnership with countries and regions worldwide. We look forward to the continued understanding and cooperation of our stakeholders.

WITH RESPECT FOR EACH OTHER...

Trends in alcohol and non-alcohol beverages markets in Japan reflect dramatic changes affected by consumer preferences, industry structures, and all aspects of the economy and society. Old concepts no longer apply in this environment.

Kirin Company will meet the challenge of taking its newly-organized Japan integrated beverages business into a new growth phase by bringing together the strengths of the three relevant business companies. Kirin Brewery Company, Limited, Mercian Corporation and Kirin Beverage Company, Limited are combining their commitment to quality manufacturing, advanced technology and expertise accumulated over many years, and applying those strengths to the creation of products and services based on innovative concepts through brand-centered management.

We aim to create shared value with customers of all generations and their communities, and to achieve growth in both revenues and income compared with FY2012 in FY2015.



Yoshinori Isozaki
*President & CEO,
Kirin Company, Limited*

JAPAN

KIRIN

Southeast Asia's dynamic and richly diverse markets offer enormous potential as a driving force on the long-term growth of the Kirin Group. At Kirin Holdings Singapore, we have only just begun to build our business operations. Nevertheless, we are determined to move forward steadily under the integrated beverage strategy by forming partnerships with local companies in Vietnam, Thailand, Singapore and other countries, by developing a brand-centered management approach based on both local and Kirin brands, and actively seeking opportunities to form alliances in other growth markets.



Hiroshi Fujikawa
*Managing Director,
Kirin Holdings
Singapore Pte. Ltd.*

ASIA (SEA)

KIRIN

OCEANIA



Stuart Irvine
CEO,
Lion Pty Ltd

We are very proud of our powerful brands, which are very popular with consumers, and of the people and culture behind those brands. Despite a tough market environment, our results for FY2012 were in line with our forecasts. We achieved strong sales of our major brands, including XXXX Gold, which is Australia's top-selling beer.

This year, our newly acquired imported premium and craft beer brands will make a significant contribution to earnings. We will also use the Kirin Group's expertise to establish new non-alcohol RTD [ready to drink] brands. As the new CEO, I am determined to keep Lion on a growth track.



ONE IN DIVERSITY

BRAZIL



Gino Di Domenico
Executive President,
Brasil Kirin Participações
e Representações S.A.

FY2012 was our first year as a member of Kirin Group. We completed a number of important tasks, including the creation of new corporate governance structures and a medium-term management plan, as well as the development and launch of new products and a new corporate brand. We also achieved some challenging financial targets. This success was made possible by the respect that exists between the Kirin Group and Brasil Kirin.

We aim to harness the medium/long-term growth potential of the Brazilian market by further strengthening our brands and raising our profile. We want Brasil Kirin to be an innovative supplier of beverages that give pleasure and joy to consumers.



PHARMACEUTICALS
AND BIO-CHEMICALS



Nobuo Hanai
President & CEO,
Kyowa Hakko Kirin Co., Ltd.

Kyowa Hakko Kirin is continually working to create innovative new drugs. The key strengths that we bring to this challenge are our advanced biotechnology, especially in the field of antibody technology, and the research and development resources behind our technology resources.

In the three-year period starting in FY2013, we will work to strengthen our competitive advantage in Japan in the four categories of nephrology, oncology, immunology/allergy and central nervous system, to expand our business infrastructure in Europe, North America and Asia, and to strengthen the earning base of our bio-chemicals business.

We are determined to achieve continued steady growth by taking up the challenge of building a future for Kyowa Hakko Kirin as a global specialty pharmaceutical company based in Japan.



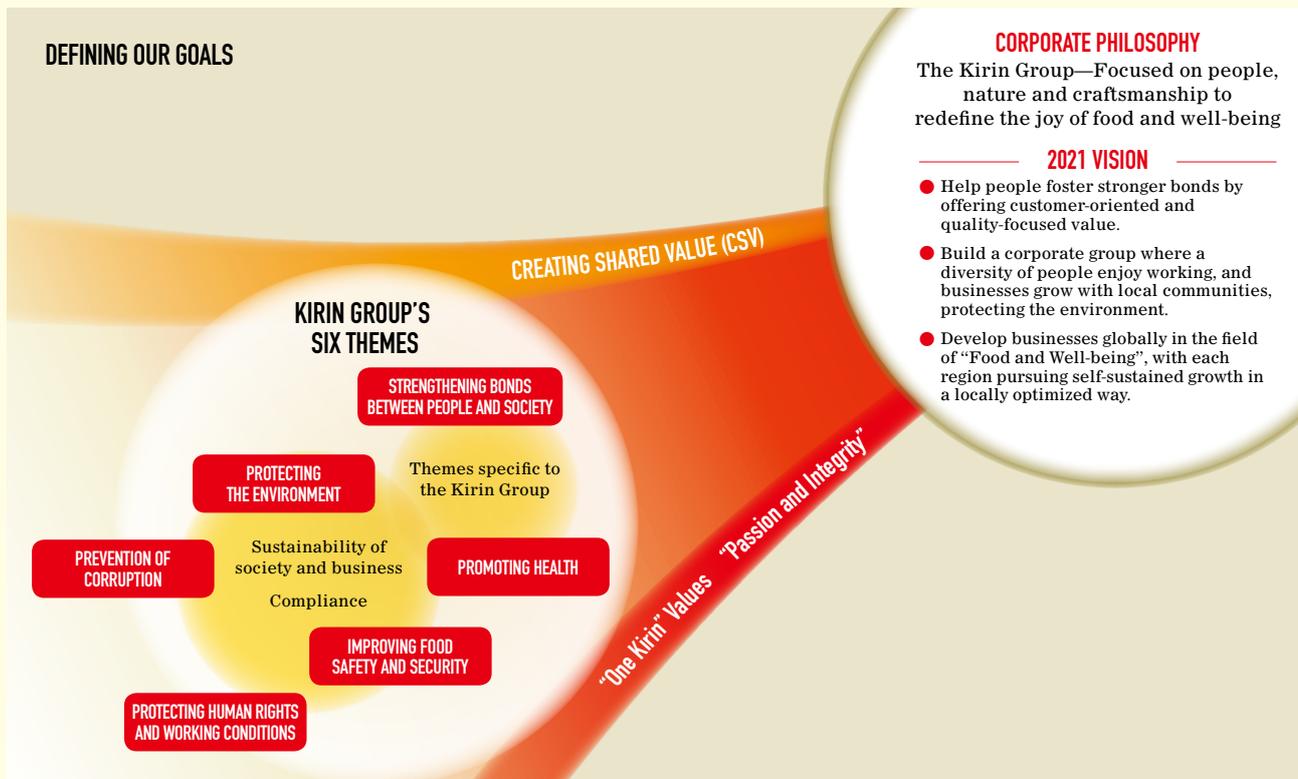
CSR PHILOSOPHY FOR KV2021— SIX THEMES, SIX STAKEHOLDERS

We have revised our CSR philosophy as part of our efforts to ensure the realization of the KV2021 Group Vision, which defines our role as a corporate group dedicated to redefining the joy of food and well-being. This process resulted in the selection of social challenges as key focuses for our efforts, and the redefinition of key stakeholders. We selected six social issues, which we believe to be particularly important, as key focuses for our efforts. These will be the common CSR themes for the Kirin Group. Four of the six themes—improving food safety and security, protecting the environment, protecting human rights and working conditions, and preventing corruption—were selected on the basis of the Global Compact. The

other two—strengthening bonds between people and society and promoting health—reflect specific characteristics of the Kirin Group.

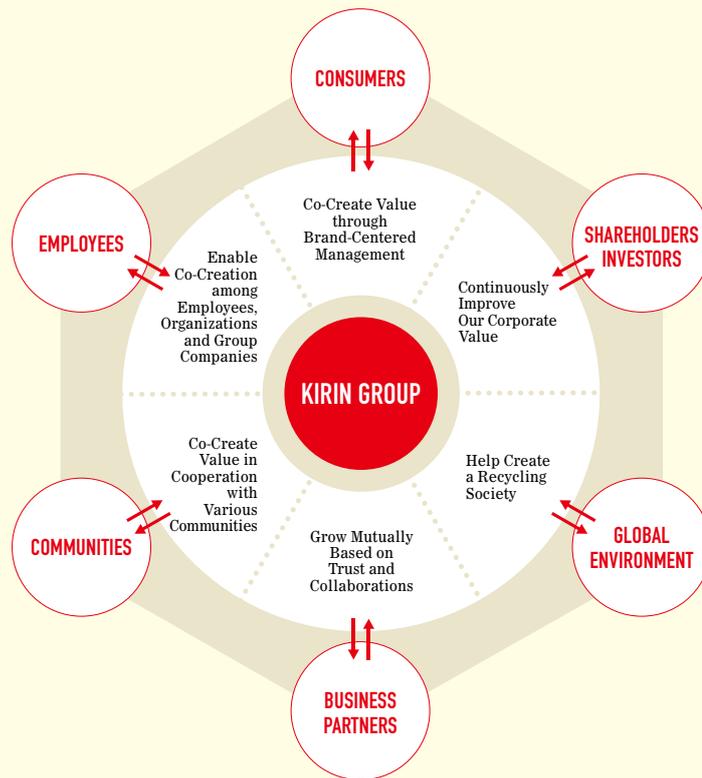
We redefined our stakeholders into six categories: customers, employees, business partners, shareholders and investors, communities and the environment. We will make continuous efforts from a CSV approach—creating shared value for both society and our companies—focusing on each of these stakeholder categories. We are determined to make a continuing contribution to society through sustainable initiatives based on the business activities of the Kirin Group.

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



CO-CREATION OF BRAND VALUE WITH STAKEHOLDERS

The Kirin Group identifies six types of stakeholders group-wide. We hope to further strengthen our engagement and create new brand value together, so we may continue developing communities and bringing more joy and smiles to consumers.



Kizuna Project: Support for Rebuilding SUPPORTING DISASTER RECOVERY THROUGH THE KIRIN KIZUNA PROJECT

In July 2011, the Kirin Group decided to provide funds totaling approximately ¥6 billion over a three-year period to support recovery efforts in areas affected by the Great East Japan Earthquake, and the Kirin *Kizuna* Project: Support for Rebuilding was established for this purpose. The aim of this activity is to bring about a sustainable recovery leading to revitalization across the entire region, as communities gain new life from industrial revitalization and awakening hope for the future in growing numbers of young people.

HELPING TO RESTORE LOCAL FOOD CULTURE AND FOOD INDUSTRIES

The Kirin Group continually provides support to the agriculture and seafood industries at all stages from production to the dining table. In the initial recovery phase up to the end of 2012, we helped farmers to purchase the agricultural machinery needed for the resumption of farming operations. We also assisted with repairs to fish farming facilities. In the second phase, which began in 2013, we expanded the scope of our support to

include not only production activities but also brand development for farm products and seafood, the expansion of sales channels in preparation for sixth-order industrial development, and the training of future workers and leaders.

BRINGING SMILES TO THE FACES OF CHILDREN

The Kirin Group is providing scholarships to students in agricultural high schools and agricultural science programs in Iwate, Miyagi and Fukushima Prefectures who were affected by the earthquake. We are also supporting science programs and providing assistance through music and table tennis.

HELPING PEOPLE ENHANCE THEIR MENTAL AND PHYSICAL WELLNESS

With the cooperation of the Japan Football Association, the Kirin Group sponsored the JFA Kirin Smile Field, an itinerant soccer-training program for elementary school children. Training sessions were held in Iwate, Miyagi and Fukushima Prefectures with the aim of helping children to discover the fun and emotional fulfillment of sports through soccer. On March 4, 2013, the 400th school joined the program, and the number of children participating reached 50,000.



Children participating in a JFA-Kirin Smile Field soccer class



Donating farm equipment to the Shichigahama Farmers Association

PROTECTING THE ENVIRONMENT

Under the 2009 Action Plans for Becoming a Low-Carbon Corporate Group, the Kirin Group is working toward the ambitious goal of halving value chain carbon footprint from the 1990 level by 2050. Kirin Holdings is also participating in the Carbon Disclosure Project (CDP), which ranks the top 500 companies in terms of market value according to the quality of disclosure about greenhouse gas emissions. In 2012, we were among the highest-scoring companies for the second consecutive year.

In 2013, we adopted guidelines for the Sustainable Sourcing of Biological Resources and prepared action plans to improve the sustainability of biological resources, including tea leaves, paper and palm oil. One of the Kirin Group's most important brands is *Gogo-no-Kocha* [Afternoon Tea], the tea leaves for which are sourced from Sri Lanka. We launched a project to help tea plantations in Sri Lanka that are committed to the improvement of their own sustainability to gain Rainforest Alliance certification.

The Kirin Group will continue to work with everyone involved in its value chains to preserve the rich legacy of the Earth for future generations.



Helping tea plantations in Sri Lanka to gain Rainforest Alliance certification

PREVENTION OF CORRUPTION AND PROTECTING HUMAN RIGHTS AND WORKING CONDITIONS

The Kirin Group aims to build fair and equitable relationships by working reasonably and in good faith with the various business partners in its value chains in each business area. Our approach to the realization of this goal is contained in our "Suppliers' Guidebook," which describes the Kirin Group's philosophy concerning procurement activities and the development of long-term relationships with partners.

Consistent compliance with laws and regulations is a cornerstone of our CSR philosophy. In addition respecting employees' human rights, which is a fundamental principle in our human resource policy, we also respect the human rights of business partners throughout our value chains.

The Kirin Group is also committed to the promotion of diversity. We encourage employees to achieve a good work-life balance while also creating a safe and comfortable workplace. We also help employees to remain motivated by providing training programs for people at various stages in their careers. Under our current Medium-Term Business Plan, we plan to place particular emphasis on career education. The aim of this focus, which reflects current social trends, is to help employees to build their own career paths so that they can continue to enjoy their work over the long-term future.



Human rights training session

STRENGTHENING BONDS BETWEEN PEOPLE AND SOCIETY

The Kirin Group places a high value on its relationships with the people and society on which its business activities depend. We believe that we have a responsibility as a company to contribute to sustainable community development and the education of future generations. This commitment is reflected in our initiatives to build bonds through our business activities, including our products and services, such as our recovery support initiatives after the Great East Japan Earthquake (see Page 29), the Kirin Smile Field program, which contributes to youth education through soccer, and activities related to our non-alcohol beverages brand that foster closer bonds between parents and children. We will continue to use our product brands and business activities to strengthen our bonds between people and society.



Tales from the Koiwai forest, home of Koiwai juice products, help brighten children's hearts

PROMOTING HEALTH

Health promotion is a key issue for the Kirin Group, which aims to redefine the joy of food and well-being through manufacturing activities that focus on nature and people. Through our products, including food and beverages, and our services, we will continue to offer ideas that add the value of health to daily life and help people to create lifestyles based on the enjoyment of good food at all ages.

As a corporate group that supplies

alcohol, we will also continue our global efforts to promote the responsible consumption of alcohol, including our designated driver campaign in Japan.

The Kyowa Hakko Kirin Group will continue to contribute to health through pharmaceutical products. In addition, its Healthcare Laboratory has established a website where consumers can find clear and concise information about the effects and likely benefits of health ingredients, which have become the focus of intense interest.



Promoting a designated driver campaign

IMPROVING FOOD SAFETY AND SECURITY

In line with the Kirin Group's customer-focused and quality oriented approach to business, product safety and customer satisfaction are the most important priorities under our quality policy. Our Group companies put that policy into effect by developing quality management systems that match the characteristics of their business activities, and by continually working to improve those systems. In addition to these ongoing

initiatives, we launched a new initiative to strengthen our communication with consumers in 2012. We began to hold stakeholder dialogue meetings, which were also attended by experts, to canvas views about our communication activities. This input will be reflected in our activities. Our goal is to enhance our reputation as a corporate group that is trusted by consumers.



Stakeholder Dialogue on Food Safety and Security

CORPORATE GOVERNANCE

FUNDAMENTAL APPROACH TO CORPORATE GOVERNANCE

The Kirin Group recognizes the improvement of corporate governance as one of its important management objectives. We are taking action to strengthen corporate governance across the entire Group to earn the trust of internal and external stakeholders, as well as to practice fair and efficient management.

The Kirin Group introduced a pure holding company structure in July 2007, and is currently building an organizational structure which is conducive to promoting a growth strategy, based on an array of operating companies such as the regional headquarters for domestic and overseas integrated beverages business and the companies operating in pharmaceuticals and bio-chemicals business.

Regarding the corporate governance structure, Kirin Holdings has clearly defined the roles and responsibilities of each regional headquarters, operating company and the holding company, and set up structures to raise the levels of autonomy and maneuverability at the regional headquarters and operating companies, and encourage the creation of Group premiums under the leadership of the holding company. The purpose is to maximize the corporate value of the entire Group by enhancing and expediting decision-making and making management more transparent and sound.

IMPLEMENTATION OF MEASURES RELATING TO CORPORATE GOVERNANCE

Management system and corporate governance structures relating to the company's decision-making, execution and supervision

1. Corporate governance structure overview and reasons for its introduction

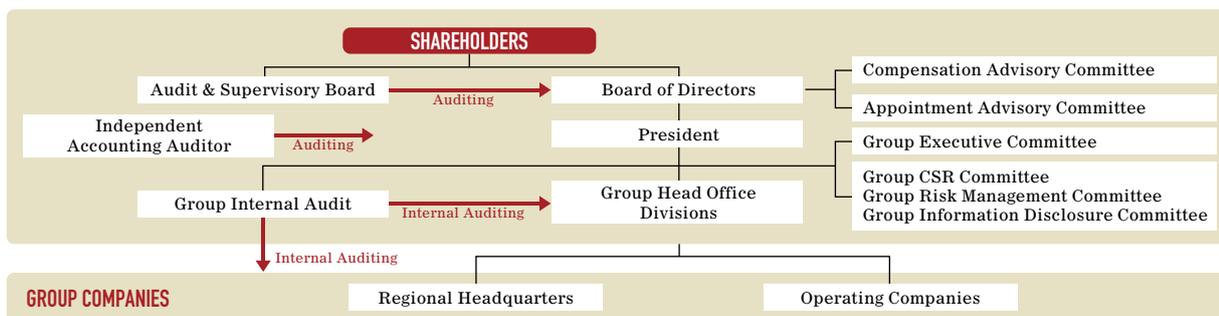
Kirin Holdings' corporate governance structure is shown below.

Kirin Holdings strives for highly transparent and efficient Group operations by means of an organization structure including the Board of Directors and the Audit & Supervisory Board, which form the basis of corporate governance, as well as the establishment of a Compensation Advisory Committee and an Appointment Advisory Committee, which include outside Directors, and committees designed to meet the needs of decision-making and execution.

The Board of Directors makes decisions on execution of important business matters and legal issues. It strives to improve the quality of the decision-making relating to the Group's management by holding Group Executive Committee meetings in a timely fashion with Directors, Audit & Supervisory Board Members and related department heads to discuss business strategies and investments that have substantial implications for or across individual business units.

The Compensation Advisory Committee and the Appointment Advisory Committee have been set up to advise on remuneration and appointment of Directors and Audit & Supervisory Board Members. The Compensation Advisory Committee, consisting of four Directors including the President, CEO and one outside Director, serves as an advisory body to the Board of Directors that deliberates and reports from an objective and fair standpoint on the compensation of Directors and Audit & Supervisory Board Members, including an appropriate compensation system and level of remuneration in relation to the business environment and business performance. The Appointment Advisory Committee, consisting of four Directors including the President, CEO and one outside Director, serves as an advisory body to the Board of Directors that prepares and reports on proposed candidates for Director, Audit & Supervisory Board Member, and other positions.

HOLDING COMPANY GOVERNANCE STRUCTURE



2. Internal control system

The outline of the system to ensure appropriate business activities (the internal control system) was defined by the Board of Directors on May 11, 2006 as follows:

- i) System to ensure that the duties performed by the Directors and employees comply with laws and the company's articles of incorporation*.
- ii) System to ensure the proper preservation and maintenance of information regarding the performance of duties by the Directors.
- iii) Regulations and systems related to the control of risks of loss.
- iv) System to ensure the effective performance of duties by the Directors.
- v) System to ensure the appropriate operations of the corporate group that comprises the company, its parent company and its subsidiaries.
- vi) System to assign employees to assist the Audit & Supervisory Board Members when the Audit & Supervisory Board Members request such assistance.
- vii) System to ensure that the employees as described in the preceding provision remain independent of the Directors.
- viii) System to ensure reporting by the Directors and employees to the Audit & Supervisory Board Members, and other systems to ensure reporting to the Audit & Supervisory Board Members.
- ix) Other systems to ensure effective auditing by the Audit & Supervisory Board Members.

* With regard to a system for internal control reporting to ensure reliability of financial reporting based on the Financial Instruments and Exchange Act, the Board of Directors defined the following new clause on January 26, 2009.

- Construction of a system for internal control reporting to ensure reliability of financial reporting, and its effective and efficient implementation and assessment.

3. Risk management system

The Directors define Kirin Group's basic risk management policy, provide the system and rules for its effective implementation and promote it through engaging in each organization's activities. Additionally, as well as implementing risk management training we clearly define the procedures for risk disclosure and responding to times of crises, and make these widely known. The setup and operation of these systems are audited by the Group Internal Audit.

Outside Directors and Outside Audit & Supervisory Board Members

1. Number of outside Directors and outside Audit & Supervisory Board Members

Kirin Holdings has two outside Directors and three outside Audit & Supervisory Board Members.

2. Policies regarding function and role from a corporate governance perspective, and election

The outside Directors contribute to maintaining the corporate governance function and role of the Board of Directors—which makes decisions on execution of important business matters and legal issues and supervises the implementation of operations—at a strong and even higher level, by expressing opinions, from a more objective standpoint, based on their considerable experience and insight into corporate management.

The outside Audit & Supervisory Board Members contribute to the strengthening of the function of Audit & Supervisory Board Members as employed by Kirin Holdings as a corporate governance setup, through their experience as outside directors or auditors for several companies and their expertise as certified public accountants and lawyers.

We consider bringing external viewpoints to the management through the election of outside Directors to also be extremely important for corporate governance. Currently two outside Directors are elected, a number which allows the Compensation Advisory Committee and the Appointment Advisory Committee, both essential in Kirin Holdings' corporate governance system, to function effectively.

Currently three outside Audit & Supervisory Board Members are elected, which added to the two Audit & Supervisory Board Members, makes for a total of five; this is considered a sufficient number to audit the performance of duties by the Directors.

3. Criteria regarding the independence of External Officers and their personal, capital, business or other relationships with Kirin Holdings

In order to objectively assess the independence of outside Directors and outside Audit & Supervisory Board Members (hereafter collectively referred to as "External Officers"), Kirin Holdings adopts its own standard criteria, as below, drawing on the guidelines for ensuring independence of independent officers provided by the Tokyo Stock Exchange, Inc. (Board of Directors resolution on January 31, 2013). However, External Officers are selected on the basis not only of their independence but also their knowledge, abilities, expertise and personal suitability for the role. Therefore, even when one of the following criteria apply, individuals may be requested to join the External Officers as long as such individuals satisfy the requirements for external officers provided in the Companies Act and have the ability to advise on corporate decisions as External Officers.

Criteria regarding the Independence of External Officers



<http://www.kirinholdings.co.jp/english/ir/policy/pdf/governance20130329.pdf>

Remuneration of officers

1. Remuneration totals by officer category and by remuneration type, and number of receiving officers (FY2012)

Officer classification	Remuneration totals (million yen)	Remuneration type totals (million yen) and receiving officers (in numbers)			
		Basic remuneration		Bonus	
		Total	Receiving officers	Total	Receiving officers
Directors (excl. outside Directors)	511	337	10	174	7
Audit & Supervisory Board Members (excl. outside Audit & Supervisory Board Members)	67	53	2	13	2
External officers	Outside Directors	25	23	2	2
	Outside Audit & Supervisory Board Members	38	35	4	3
Total	642	450	18	192	14

2. Remuneration totals by officer (FY2012)

Name	Officer classification	Remuneration totals (million yen)	Remuneration type totals (million yen)	
			Basic remuneration	Bonus
Senji Miyake	Director	144	78	65

Note: Listed are officers whose total remuneration exceeds 100 million yen.

3. Policy and decision-making procedures regarding remuneration amounts and their calculation methods

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

- i) Remuneration shall be sufficient as an incentive to the officers to accomplish management policy, enhance business performance and improve shareholder value.
- ii) Remuneration shall be sufficient as consideration for execution of work as an officer.
- iii) The reasoning behind decisions shall be objective and transparent.

The remuneration for officers, as based on aforementioned policy iii), is considered by the Compensation Advisory Committee which includes outside Directors, and a report is made to the Board of Directors. The committee, as part of their deliberations and based on aforementioned policy ii), carries out an objective comparison of remuneration standards using officer remuneration survey data from an external research company, and reflects this in its report.

Based on aforementioned policy i), remuneration for officers consists of monthly remuneration, which is fixed remuneration, and performance-related remuneration linked to consolidated business performance and individual performance. Performance-related remuneration consists of a bonus paid in accordance with consolidated business performance and individual performance each year, and share-purchase remuneration paid as a portion of basic remuneration. Performance-related remuneration is structured to motivate achievement of consolidated business

performance on a single-year basis and management that reflects awareness of the outlook for the medium- to long-term stock price.

Remuneration for Audit & Supervisory Board Members and external officers consists of their monthly remuneration and bonus only.

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

Basic remuneration is decided by the Board of Directors for Directors and by an Audit & Supervisory Board Members' deliberation for Audit & Supervisory Board Members, based on the report by the Compensation Advisory Committee and within the remuneration limits determined by resolutions at the Annual Meetings of Shareholders. Bonuses, which fluctuate depending on that year's consolidated business performance, are discussed as a proposal at the Annual Meeting of Shareholders after approval by the Board of Directors, based on the report by the Compensation Advisory Committee.

The system for retirement allowances of Directors and Audit & Supervisory Board Members was abolished in March 2007.

DIRECTORS / AUDIT & SUPERVISORY BOARD MEMBERS

(As of March 28, 2013)



From left to right: Hirotake Kobayashi, Toru Suzuki, Senji Miyake, Masahito Suzuki, Hajime Nakajima, Keisuke Nishimura

PRESIDENT & CEO	Senji Miyake		AUDIT & SUPERVISORY BOARD MEMBER	Kazuyoshi Suzusho
MANAGING DIRECTOR REPRESENTATIVE DIRECTOR	Hirotake Kobayashi	Group Business Investment & Alliance Strategy and Group IT Strategy	AUDIT & SUPERVISORY BOARD MEMBER	Naoki Hyakutake
MANAGING DIRECTOR REPRESENTATIVE DIRECTOR	Hajime Nakajima	Group Production & Logistics Strategy, Group R&D Strategy, and Group Quality & Environment Strategy	OUTSIDE AUDIT & SUPERVISORY BOARD MEMBER	Kazuo Tezuka
MANAGING DIRECTOR	Toru Suzuki	Group Legal Strategy and Group CSR Strategy	OUTSIDE AUDIT & SUPERVISORY BOARD MEMBER	Nobuyuki Oneda
DIRECTOR & CFO	Masahito Suzuki	Group Financial Strategy and Group PR & IR Strategy	OUTSIDE AUDIT & SUPERVISORY BOARD MEMBER	Kimie Iwata
DIRECTOR	Keisuke Nishimura	Group Personnel & Administration Strategy and Group Procurement Strategy		
OUTSIDE DIRECTOR	Shigemitsu Miki			
OUTSIDE DIRECTOR	Toshio Arima			

CONSOLIDATED ELEVEN-YEAR SUMMARY OF SELECTED FINANCIAL DATA

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

DATA BOOK ---- P.07-16

	Millions of yen			
	2012	2011	2010	2009
For the year:				
Sales	¥ 2,186,177	¥ 2,071,774	¥ 2,177,802	¥ 2,278,473
Less liquor taxes	315,549	323,375	342,527	359,743
Net sales	1,870,627	1,748,398	1,835,274	1,918,730
Cost of sales	958,923	895,477	972,282	1,024,078
Gross profit	911,704	852,922	862,992	894,652
Selling, general and administrative expenses	758,682	710,058	711,380	766,216
Operating income	153,022	142,864	151,612	128,435
Operating income (Prior to amortization of goodwill, etc.)	202,675	189,812	193,600	—
Income before income taxes and minority interests	133,592	84,918	80,327	92,613
Net income	56,198	7,407	11,394	49,172
EBITDA ¹	297,185	247,602	269,392	212,838
Cash flows from operating activities	212,061	196,792	218,025	189,907
Cash flows from investing activities	(48,379)	(361,658)	(140,917)	(321,654)
Cash flows from financing activities	(160,008)	193,214	(140,197)	174,208
Free cash flow	163,681	(164,866)	77,107	(131,746)
Cash and cash equivalents	78,041	70,847	45,278	118,797
Depreciation and amortization	146,363	142,763	139,987	127,501
Capital expenditure	(98,977)	(79,830)	(106,650)	(110,246)

At year-end:				
Total assets	¥ 2,951,061	¥ 2,854,254	¥ 2,649,197	¥ 2,861,194
Interest-bearing debt	1,037,188	1,144,786	859,376	963,209
Net interest-bearing debt	959,146	1,073,939	814,098	844,412
Shareholders' equity ²	948,943	852,922	962,476	981,322

Yen				
Per share data:				
Net income primary ³	¥ 123.86	¥ 70.58	¥ 94.31	¥ 51.54
Dividends	29.00	27.00	25.00	23.00

Net assets per share applicable to the year	986.94	886.86	1,000.51	1,029.35
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Value indicators:				
Liquidity ratios:				
Debt/equity ratio (times) ⁴	1.02	1.25	0.81	0.91
Interest coverage ratio (times) ⁵	12.1	9.5	9.9	9.4
Investment indicators:				
Price/earnings ratio (times) ⁶	8.2	13.3	12.1	28.9
Price/book value ratio (times) ⁷	1.0	1.1	1.1	1.5
Payout ratio (%) ⁸	23.4	38.3	26.5	44.6
Return indicators:				
Return on assets (%) ⁹	4.0	2.4	3.2	1.8
Return on equity (%) ¹⁰	12.4	6.9	8.8	5.2
Turnover ratios:				
Asset turnover (times) ¹¹	0.75	0.75	0.79	0.83
Inventory turnover (times) ¹²	10.9	10.9	11.3	10.9

- Notes: 1. After 2008: EBITDA = Operating income + Equity in earnings or losses of affiliates + Depreciation + Amortization of goodwill + Special income and expenses (Note: Loss on impairment regarding goodwill, etc., are excluded.)
Before 2007: EBITDA = Income before income taxes and minority interests - Interest income - Dividend income + Interest expense + Depreciation + Amortization of goodwill
2. Shareholders' equity = Total net assets - Minority interests - Subscription rights to shares (as recorded on the balance sheet)
3. From 2010, Net income primary is calculated prior to amortization of goodwill.
Figures exclude losses with no effect on cash outflow.
4. Debt = Short-term loans payable and long-term debt with current maturities + Bonds due within one year + Commercial papers + Bonds + Long-term debt
5. After 2008: Interest coverage ratio = Net cash provided by operating activities / Interest paid
Before 2007: Interest coverage ratio = (Operating income + Interest + dividend income) / Interest expense

Millions of yen						
2008	2007	2006	2005	2004	2003	2002
¥ 2,303,569	¥ 1,801,164	¥ 1,665,946	¥ 1,632,249	¥ 1,654,886	¥ 1,597,509	¥ 1,583,248
380,691	400,555	402,321	397,527	430,957	431,749	445,935
1,922,877	1,400,608	1,263,625	1,234,721	1,223,929	1,165,760	1,137,313
1,012,204	678,058	585,531	576,393	577,092	555,223	554,264
910,673	722,550	678,093	658,328	646,836	610,536	583,048
764,696	601,942	561,735	546,619	537,444	508,981	493,259
145,977	120,608	116,358	111,708	109,392	101,555	89,789
—	—	—	—	—	—	—
165,735	128,413	111,560	109,001	110,018	78,147	74,517
80,182	66,713	53,512	51,263	49,099	32,395	32,540
264,620	213,129	191,161	188,459	193,507	165,412	157,742
131,281	114,585	123,685	104,716	127,963	118,430	87,750
(169,330)	(269,621)	(153,239)	(66,693)	(44,252)	(62,867)	(175,377)
26,684	121,555	(50,012)	(52,041)	(35,901)	(30,018)	50,699
(38,049)	(155,036)	(29,554)	38,023	83,711	55,563	(87,627)
68,457	52,307	86,588	164,800	177,257	129,978	105,625
118,324	79,361	76,472	74,509	77,358	81,196	78,240
(126,063)	(66,873)	(59,953)	(62,960)	(69,020)	(59,757)	(85,492)
¥ 2,619,623	¥ 2,469,667	¥ 1,963,586	¥ 1,937,866	¥ 1,823,790	¥ 1,787,867	¥ 1,744,131
723,703	673,872	302,762	309,976	325,594	343,964	355,273
655,246	621,565	216,174	145,176	148,337	213,986	249,648
927,812	1,054,811	993,989	972,601	858,615	803,882	769,227
Yen						
¥ 84.01	¥ 69.86	¥ 55.98	¥ 53.23	¥ 50.58	¥ 33.27	¥ 33.26
23.00	21.00	17.00	14.50	13.50	12.00	12.00
972.19	1,104.83	1,040.44	1,016.74	888.65	831.84	795.71
0.72	0.58	0.24	0.26	0.31	0.35	0.37
5.6	10.1	12.6	12.6	11.1	10.7	10.4
14.0	23.5	33.4	25.8	20.0	27.4	22.7
1.2	1.5	1.8	1.4	1.1	1.1	0.9
27.4	30.1	30.4	27.2	26.7	35.8	36.2
3.2	3.0	2.7	2.7	2.7	1.8	1.9
8.1	6.5	5.4	5.6	5.9	4.1	4.2
0.91	0.81	0.85	0.87	0.92	0.91	0.93
12.5	13.4	15.6	18.4	19.2	18.5	21.2

6. PER = Year-end share price / Net income per share. From 2010, PER is calculated prior to amortization of goodwill. Figures exclude losses with no effect on cash outflow.

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

8. From 2010, Payout ratio is calculated prior to amortization of goodwill. Figures exclude losses with no effect on cash outflow.

9. ROA = Net income / Average total assets. From 2010, ROA is calculated prior to amortization of goodwill.

Figures exclude losses with no effect on cash outflow.

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

Figures exclude losses with no effect on cash outflow.

11. Asset turnover = Sales / Average total assets

12. Inventory turnover = Sales / Average inventories

MANAGEMENT'S DISCUSSION AND ANALYSIS

Note: Unless otherwise stated, all comparisons are with the previous fiscal year (FY2011). Under the holding company structure adopted in July 2007, consolidated financial disclosures by Kirin Holdings Company, Limited ("the Company") relate to the worldwide operations of the group of companies operating under this umbrella ("the Kirin Group," or "the Group") and are in accordance with Japanese GAAP. As of December 31, 2012, the Group comprised 257 consolidated subsidiaries, 17 equity-method affiliates and one unconsolidated subsidiary accounted for by the equity method.

OPERATING PERFORMANCE

Business environment overview

The Japanese economy continued to endure difficult circumstances during the fiscal year ended December 31, 2012 (FY2012), due to a slowdown in overseas economies. Consumer spending remained steady, but showed weak movement.

Consolidated sales and gross profit

Consolidated sales (including liquor taxes) increased by 5.5% to ¥2,186.1 billion, mainly due to the inclusion of operating results of Brasil Kirin Participações e Representações S.A. ("Brasil Kirin")* in the figures in the overseas beverages business, as well as to an increase in sales volume in the domestic non-alcohol beverages business. On a liquor tax-exclusive basis, consolidated net sales rose by 7.0% to ¥1,870.6 billion.

Reflecting a 7.1% increase in cost of sales (excluding liquor taxes) to ¥958.9 billion, gross profit also rose by 6.9% year on year to ¥911.7 billion. Gross profit margin (excluding liquor taxes) took a slight 0.1 percentage point drop from 48.8% to 48.7%.

* Schincariol Participações e Representações S.A. changed its name to Brasil Kirin Participações e Representações S.A. in November 2012.

SG&A expenses and operating income

Selling, general and administrative (SG&A) expenses rose year on year by 6.8% to ¥758.6 billion. Due to only a slight difference between the ratio of increase in net sales and that of SG&A expenses, the ratio of SG&A expenses to net sales (excluding liquor taxes) remained at 40.6%, the same level as the previous fiscal year.

Among SG&A expenses, consolidated R&D expenses amounted to ¥55.0 billion, 5.5% down from FY2011, accounting for 2.9% of consolidated net sales. R&D expenses (excluding intercompany transactions) for Kyowa Hakko Kirin Co., Ltd. ("Kyowa Hakko Kirin"), the leading company of the Group's pharmaceuticals and bio-chemicals business segment, was ¥44.1 billion, which accounted for 80.2% of total consolidated R&D expenses and 13.7% of segment sales.

Consolidated operating income (after amortization of goodwill, etc.) increased

by 7.1% to ¥153.0 billion. This increase is attributable mainly to improved profits in the overseas beverages business segment as well as strong sales in the pharmaceuticals and bio-chemicals business. As a result, the operating income ratio prior to amortization of goodwill, etc., (exclusive of liquor taxes) decreased slightly by 0.1 points to 10.8%, while the operating income ratio after amortization of goodwill, etc. (also exclusive of liquor taxes) was 8.2%, keeping with the level of FY2011's result.

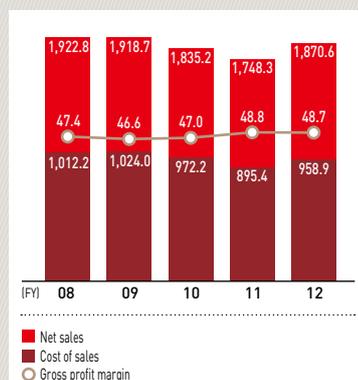
Non-operating income and expenses

Interest and dividend income dropped by 17.1% to ¥7.1 billion, while interest expenses increased by 9.1% to ¥22.8 billion, compared with the previous fiscal year. Net non-operating loss soared to ¥14.5 billion from ¥6.0 billion in the previous fiscal year. However, this increase was outweighed by the rise in consolidated operating income, and ordinary income (a sum of operating income and net non-operating gain or loss) amounted to a 1.2% year-on-year increase to ¥138.4 billion.

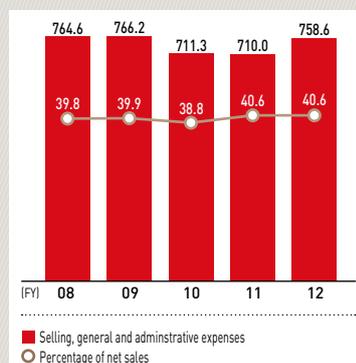
Special income and expenses

Major items included in special income were a ¥16.2 billion gain on sales of fixed assets and an ¥8.2 billion gain on step acquisitions of shares in subsidiaries. Special expenses, on the other hand,

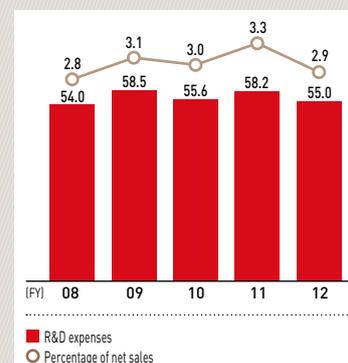
NET SALES, COST OF SALES (Billions of yen)
GROSS PROFIT MARGIN (%)



SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Billions of yen)
PERCENTAGE OF NET SALES (%)



R&D EXPENSES (Billions of yen)
PERCENTAGE OF NET SALES (%)



included a ¥10.8 billion business restructuring expense and a ¥9.8 billion loss on impairment. Overall, special income and expenses resulted in a net loss of ¥4.8 billion, substantially improved from a net loss of ¥51.8 billion in FY2011, contributed by a ¥23.0 billion drop in loss on devaluation of investment securities to ¥1.0 billion and the absence of the ¥19.8 billion loss related to the Great East Japan Earthquake recorded in the previous fiscal year.

Pre-tax and net income

Mainly due to the smaller net loss from special income and expenses, consolidated income before income taxes and minority interests rose by 57.3% from the previous fiscal year to ¥133.5 billion. On the other hand, income taxes decreased by 2.5% to ¥60.1 billion, marking a sizable 27.6 percentage-point drop in the effective tax rate to 45.0%. Conversely, minority interests also increased by 9.0% to ¥17.2 billion.

As a result, consolidated net income for the fiscal year under review recorded a significant year-on-year rise of 658.7% to ¥56.1 billion. Net income per share prior to amortization of goodwill, etc. as well soared from ¥70.58 to ¥123.86. The Kirin Group's return on equity* prior to amortization of goodwill, etc. in FY2012 was 12.4%.

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

PERFORMANCE BY BUSINESS SEGMENT

Domestic alcohol beverages

Net sales of the segment, fell 1.6% year on year to ¥536.5 billion, and operating income, as well, declined by 10.2% to ¥63.3 billion. Kirin Brewery Company, Limited ("Kirin Brewery"), strengthened its core brands through selection and concentration. It also worked to develop brands from a long-term perspective and to create new forms of value that meets customers' needs. In addition, the Group built an efficient and solid community-oriented sales force organization, and rolled out active sales promotions with the aim of reinforcing brands. However, amid an increasingly competitive market environment, the combined sales volume of beer, happo-shu and new genre beverages was less than that of FY2011. At Mercian Corporation ("Mercian"), we concentrated management resources in the alcohol beverages business focusing on wine, and we worked to develop and enhance our product brands, with the aim of becoming number one in each category. Demand for "drinking at home" increased and the daily wine market continued to expand, as both domestic wines and imports saw year-on-year growth.

Domestic non-alcohol beverages

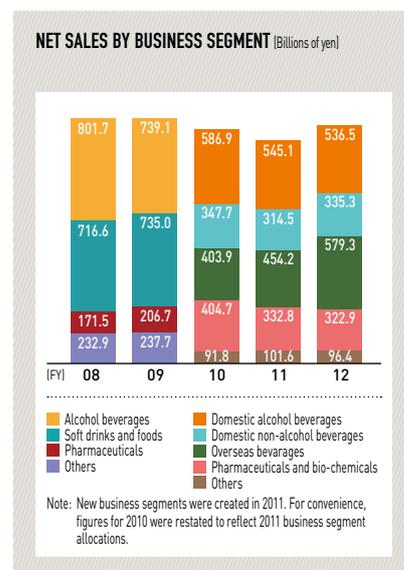
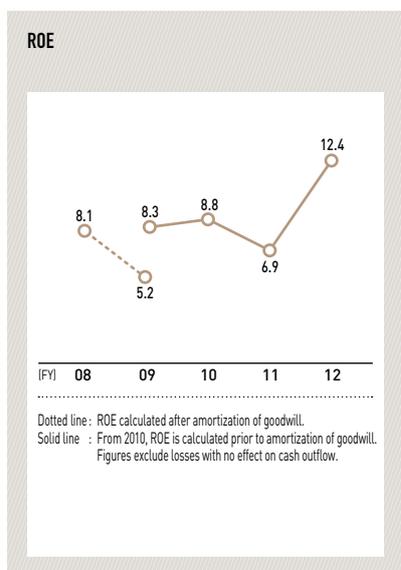
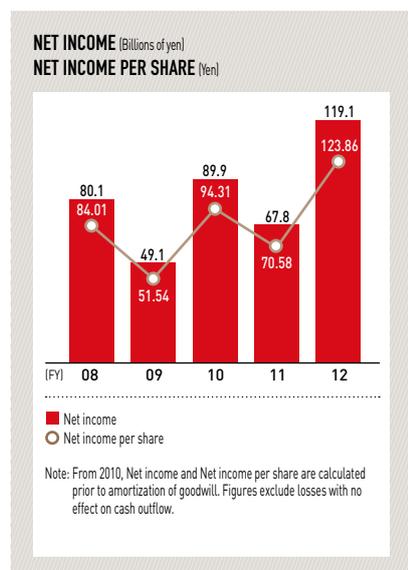
Net sales increased by 6.6% to ¥335.3 billion, and operating income grew by 58.8% to ¥4.4 billion, compared to the previous fiscal year. Kirin Beverage Co., Ltd. ("Kirin Beverage") continued revenue structure reforms and further strengthened its product value and sales force. It also focused its efforts on sales promotions aimed at brand development, thereby achieving increased sales far greater than the market average and sales volume, significantly surpassing the figure of the previous fiscal year.

DATA BOOK P.05

Overseas beverages

Net sales for this segment rose to ¥579.3 billion, 27.6% up year on year, and operating income jumped by 79.4% to ¥27.6 billion. In Australia, the alcohol beverages business of Lion Pty Ltd ("Lion") took marketing initiatives focused on brand enhancement, efforts to create new product categories, and a shift of its product mix to the high price range. These endeavors resulted in the sales volume greater than that of FY2011. In its non-alcohol beverages business, amidst continuing severe market conditions in which sales volume fell year on year, Lion continued its business structure reform to improve profitability over the medium-term, while promoting brand enhancement of high value-added products.

DATA BOOK P.02-03



In Brazil, Brasil Kirin moved ahead with marketing and sales activities targeting increased growth and greater profitability, such as reinforcement of major brands, resulting in stronger performance. Sales volumes exceeded the previous year's level in both the alcohol and non-alcohol beverages businesses, and a number of measures were also implemented, including drastic improvement of the procurement process and strengthening of value chain functions.

DATA BOOK ---- P.04

Pharmaceuticals and bio-chemicals

Net sales of the segment decreased by 3.0% to ¥322.9 billion, while operating income increased by 12.2% to ¥55.5 billion, compared to the previous fiscal year. In the pharmaceuticals business, Kyowa Hakko Kirin achieved figures surpassing those of FY2011 for its domestic sales due to strong sales of the core product *NESP*[®], a treatment for nephrogenic anemia. In the area of pharmaceuticals exports and technology revenue, sales were also up year on year due in part to strong exports combined with technology revenue recorded from FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd. In the bio-chemicals business, Kyowa Hakko Bio Co., Ltd. revised its sales expansion and pricing in response to the brisk demand overseas for high-value-added products, such as amino acid and nucleic acid materials, although

its sales were affected by the strong yen. In addition, there were effects from the exclusion of the chemicals business from consolidation in March 2011.

Others

Aggregate net sales and operating income declined by 5.2% and 22.3%, respectively, to ¥96.4 billion and ¥4.8 billion, respectively, compared to the previous fiscal year. Kirin Kyowa Foods Company, Limited ("Kirin Kyowa Foods") saw such performance-depressing factors as a generally sluggish market for its core business of processed food-related products, and a drastic tightening of the competitive environment for flavor enhancers in overseas markets, despite solid results in the food services and restaurant foods business.

PERFORMANCE BY GEOGRAPHIC AREA

According to the Group's long-term business framework, Kirin Group Vision 2015 ("KV2015"), the target ratio of total overseas sales to consolidated net sales was 30%. Accordingly, initiatives were taken overseas in FY2012 to increase revenue and improve profitability. As a result, Australia and Brazil in the overseas beverages business achieved their plans to increase profit. Due to the inclusion of the operating results of Brasil Kirin, the ratio

of total overseas sales to consolidated net sales rose of 5 percentage points to 36%.

Japan

Sales in Japan (excluding inter-segment transactions) declined by 0.7% year on year to ¥1,520.7 billion. This decline is mainly due to the sales decrease in the domestic alcohol beverages business, reflecting Kirin Brewery's lower sales volume.

Asia and Oceania

Sales in Asia and Oceania (mainly East Asia outside Japan, Southeast Asia and Oceania) dropped by 7.4% to ¥427.2 billion, mainly due to the sales volume decline in Lion's non-alcohol beverages business.

Other regions

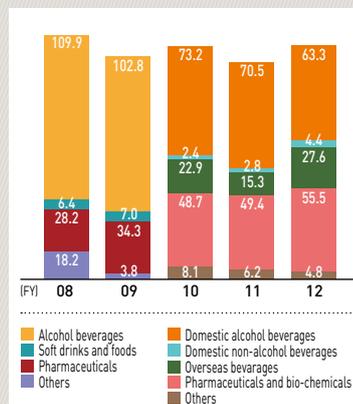
Sales in other regions (primarily the United States, Europe and Brazil) soared by 201.5% to ¥238.1 billion. This boost was driven by a new consolidated subsidiary Brasil Kirin, for which operating results were recorded for the full fiscal year.

RESEARCH AND DEVELOPMENT

R&D policy and organization

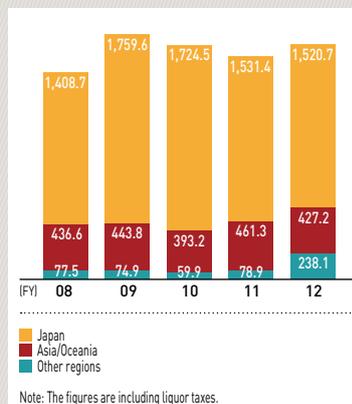
The Kirin Group will pursue unique value and the ultimate in quality in the fields of food and well-being. The Kirin Group will continue to strengthen its cutting-edge fermentation and biotech-

OPERATING INCOME BY BUSINESS SEGMENT (Billions of yen)



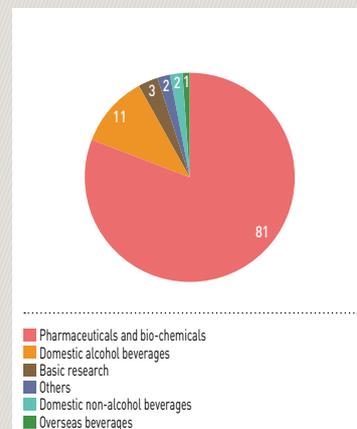
Notes: New business segments were created in 2011. For convenience, figures for 2010 were restated to reflect 2011 business segment allocations. Prior to adjustment.

SALES BY GEOGRAPHIC SEGMENT (Billions of yen)



Note: The figures are including liquor taxes.

RATIO OF R&D EXPENSES BY BUSINESS SEGMENT (%)



PIPELINES

antibody protein small molecule

(As of January 24, 2013)

Area	Code Name	Indication	Region of Development	Stage					Remarks	
				Phase I	Phase II	Phase III	Filed	Approved		
Oncology	Y	KW-0761	Peripheral T/NK-cell Lymphoma	Japan	→					POTELLIGENT®
			Adult T-cell Leukemia/Lymphoma, Add-on Therapy (for Untreated Patients)	Japan	→					
			Cutaneous T-cell Lymphoma	USA	→					
			Peripheral T-cell Lymphoma	Europe	→					
			Adult T-cell Leukemia/Lymphoma	USA/Europe	→					
		Granisetron	Chemotherapy induced Nausea and Vomiting	Asia*1	→	→	→			*1 Asia: Singapore, Malaysia and Hong Kong
		KW-2246	Cancer Pain	Japan	→	→	→			
		KRN125	Chemotherapy induced Febrile Neutropenia	Japan	→	→	→			
		ARQ197	Lung Cancer (EGF-receptor mutated)	Japan	→	→				
	Gastric Cancer		Japan/Korea	→	→					
	Hepatocellular Cancer		Japan	→						
	Lung Cancer (EGF-receptor wild type)		Japan/Korea/Taiwan	→				*2		
		KRN1493	Hypercalcemia with Parathyroid Carcinoma or Intractable Primary Hyperparathyroidism	Japan	→	→	→			
		KW-2478	Multiple Myeloma	UK/USA/PH	→	→	Phase 1/2			
		KRN321	Myelodysplastic Syndrome related Anemia	Japan/Korea	→	→				
		KW-2450	Cancer	USA	→	→	Phase 1/2			
		BIW-8962	Cancer	USA	→	→	Phase 1/2a			POTELLIGENT®
		KRN951	Cancer	Japan	→					Filed in USA by AVEO as AV-951
		KHK2866	Cancer	USA	→					POTELLIGENT®
		LY2523355	Cancer	Japan	→					Being Developed by Eli Lilly as LY2523355 Worldwide except in Japan
	CEP-37250/KHK2804	Cancer	USA	→					Jointly Developed with Cephalon POTELLIGENT®	
	KHK2898	Cancer	Singapore	→					POTELLIGENT® KM mouse	
Nephrology	Cinacalcet Hydrochloride	Secondary Hyperparathyroidism	Asia*3	→	→	→			*3 Asia: Philippines, Malaysia, Thailand and China	
	KRN321	Pediatric Renal Anemia	Japan	→	→	→				
		Renal Anemia (on Dialysis)	China	→	→					
	RTA 402	CKD in patients with type 2 diabetes	Japan	→	→					
	KHK7580	Secondary Hyperparathyroidism	Japan	→						
Immunology /Allergy	Y	KW-0761	Asthma	Japan	→				POTELLIGENT®	
	Y	KHK4563	Asthma	Japan/Korea	→	→			Being Developed by MedImmune as MEDI-563 Worldwide except in Japan and other Asian Countries POTELLIGENT®	
	Y	ASKP1240	Organ Transplant Rejection	Japan	→				Jointly Developed with Astellas KM mouse	
		Z-206	Crohn's Disease	Japan	→	→			Jointly Developed with Zeria Pharma	
	Y	KHK4827	Psoriasis	Japan	→	→				
	Y	KHK4083	Autoimmune diseases	Canada	→				POTELLIGENT® KM mouse	
		KHK4577	Inflammatory disease	Japan	→					
Central Nervous System	KW-6002	Parkinson's Disease	Japan	→	→	→				
	KW-6485	Pediatric Epilepsy	USA	→	→	→				
	KHK6188	Neuropathic Pain	Japan	→	→					
Other	KW-3357	Disseminated Intravascular Coagulation, Congenital Antithrombin Deficiency	Japan	→	→	→				
	Y	KRN23	X-linked Hypophosphatemic Rickets/Osteomalacia (XLH)	USA/Canada	→	→	Phase 1/2			KM mouse

*2 Discontinued following the safety review committee recommendation due to higher frequency of interstitial lung disease cases in the study as a drug-related adverse reaction.

GLOSSARY

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

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

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

nology, maintain its commitment to excellence in manufacturing and quality, and expand its technological prowess—combining research and marketing capabilities that reflect customer needs in products and services. The Group's R&D activities are undertaken by the Kirin Holdings Co., Ltd. Central Laboratories for Frontier Technology, by project to promote the Health and Functional Food Businesses, and by the laboratories of each operating company. A total of 2,158 Group employees are engaged in R&D.

Principal results in FY2012

Advanced R&D and technology development activities carried out at the Central Laboratories for Frontier Technology at Kirin Holdings Co., Ltd. are vital to the future competitiveness of the Kirin Group. Noteworthy developments in FY2012 include the confirmation, through experiments with mice, that a lactic acid bacterium discovered jointly with Koiwai Dairy Products Co., Ltd. and named “Lactococcus Plasma” has the potential to produce an immunostimulatory effect that will prevent viral infections. The findings were presented at a conference of the Japanese Society for Virology. The Kirin Group also succeeded in commercializing the world's first yogurt product containing this bacterium, *Plasma LAB Yogurt*, which was launched onto the market in December 2012.

In a joint project with Mercian Corporation, the Central Laboratories for Frontier Technology successfully developed technology to alleviate the fishy odor that occurs when wine and shellfish are consumed together. The odor is caused by the iron content of wine, which the new technology reduces at the production stage through a yeast-based process. Wine manufacturers have praised the practicality of this method, which received a technology award from the Japan Chapter of the American Society for Enology and Viticulture.

Another important success was the development of production technology to facilitate the production of high-quality beer-type alcoholic drinks by allowing comprehensive testing of brewer's yeast activity. Developed in collaboration with Kirin Brewery, this process won a JSBBA Award for Achievement in Technology Research.

The project to promote the Health and Functional Food Business is a

cross-organizational project to take advantages of the strengths of Kirin Group companies and accelerate Group synergies in the human health sector. The project engages in the functional evaluation of food products and food materials and the examination of materials and formula. One major achievement in this area during FY2012 was the evaluation of the effects of ornithine consumption on a range of human neural states, including fatigue recovery and morning wakefulness. Another achievement that contributed to the development of new products was the clarification of the mechanism whereby the substances that create aromas in hops stimulate a feeling of coolness in human beings.

R&D expenses in FY2012

The Group's overall R&D expenses in FY2012 were ¥55.0 billion, including ¥1.7 billion in expenses for basic research that cannot be allocated to individual businesses.

A breakdown of R&D by segment information is provided on page 40.

Key achievements

Since 2010, the Kirin Group has been studying the *Lactococcus lactis* JCM5805, named as “Lactococcus Plasma,” which has been shown to prevent viral infections by directly activating pDCs, which is a specialized sensor for viruses in mam-

mals. In FY2012 it was confirmed that JCM5805 was effective in preventing infection by influenza viruses in a murine model. The next step will be to further develop applications for this bacterium in dairy products, and to work out details of consumption levels and periods in humans and other aspects.

On June 19, 2012, Kirin launched the Grand Kirin, a premium beer, having rich flavor. The unique bottle has achieved the title of the lightest bottle in Japan. The wide, 33ml opening provides good mouth feel. The package is designed to have the same dimensions as a 500ml aluminum can, considering logistic and merchandising stages. Also, we have succeeded to lower CO₂ emissions with this innovative package.

Research relating to winemaking technology confirmed that grape skins contain large amounts of precursors of 3-Mercaptohexan-1-ol (3MH), which give pleasant aromas, like citrus, in white wines. This led to the proposal of juice processing technology that would allow the 3MH precursors to be extracted efficiently from grape skins. Further work resulted in the development of concentrated grape juice with heightened 3MH precursor levels, and to the creation of technology to allow a wine with a remarkably high 3MH content to be produced by fermenting juice with lactic acid bacteria and yeast.



Lactococcus Plasma
(*Lactococcus lactis* JCM5805)



Grand Kirin



Mercian every

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

FINANCIAL POSITION

Assets

Total assets as of December 31, 2012 amounted to ¥2,951.0 billion, an increase of ¥96.8 billion, or 3.4%, compared to the previous fiscal year-end. Current assets increased by ¥31.4 billion to ¥789.4 billion, mainly due to increases in cash, merchandise and finished goods. Non-current assets also increased, rising by ¥65.3 billion to ¥2,161.5 billion. While property, plant and equipment decreased by ¥0.3 billion, intangible assets increased by ¥5.6 billion. Investments and other assets increased by ¥60.0 billion, partially due to the market valuation of investment securities.

Liabilities

Total liabilities as of December 31, 2012 stood at ¥1,797.1 billion, a year-on-year decrease of ¥9.1 billion, or 0.5%. Current liabilities increased ¥2.7 billion to ¥718.1 billion while non-current liabilities decreased ¥11.9 billion to ¥1,079.0 billion, due in part to the replacement of long-term bonds with short-term ones.

As the increase in current assets largely exceeded that of current liabilities, working capital as of December 31, 2012 amounted to ¥71.3 billion, a ¥28.7 billion or 67.3% increase. The current ratio also improved 3.9 percentage points to 109.9%.

Net assets

Net assets as of December 31, 2012 amounted to ¥1,153.9 billion, up by ¥106.0 billion, or 10.1% compared to the previous fiscal year-end, mainly due to a ¥62.4 billion increase in foreign currency translation adjustments.

CASH FLOWS

The balance of consolidated cash and cash equivalents as of December 31, 2012 increased by ¥7.1 billion from the previous fiscal year-end, amounting to ¥78.0 billion.

Cash flows from operating activities

Net cash provided by operating activities was ¥212.0 billion, an increase of ¥15.2 billion compared to the previous fiscal year. The major cash outflows came from a ¥23.0 billion decrease in loss on devaluation of investment securities and a ¥9.8 billion decrease in adjustment for deposits received. However, cash inflows were greater, mainly comprising a ¥48.6 billion increase in income before income taxes and minority interests, a ¥21.8 billion decrease in income taxes paid, and a ¥2.7 billion decrease in outflows of working capital due to changes in trade notes and accounts receivable, inventories, trade notes and accounts payable and liquor taxes payable.

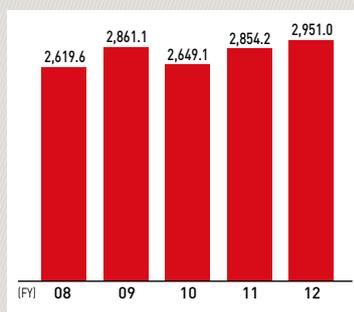
Cash flows from investing activities

Net cash used in investing activities dropped by ¥313.2 billion to ¥48.3 billion from the previous fiscal year. Major cash outflows included a ¥98.9 billion payment for purchases of property, plant and equipment and intangible assets which increased by ¥19.1 billion, and a ¥9.6 billion payment for purchases of marketable securities and investment securities. On the other hand, major cash inflows comprised ¥44.2 billion in proceeds from the sale of property, plant and equipment and intangible assets, and ¥24.5 billion in proceeds from the sale and redemption of marketable securities and investment securities.

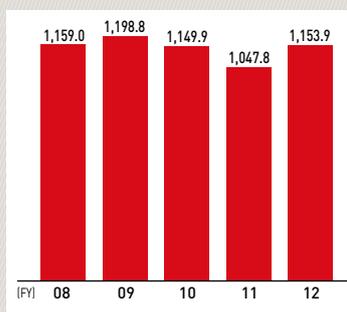
Cash flows from financing activities

Net cash used for financing activities amounted to ¥160.0 billion, reversing ¥193.2 billion net cash provided in the previous fiscal year. While there were cash-increasing factors, such as ¥69.6 billion proceeds from long-term debt, the balance of cash and cash equivalents decreased, mainly due to a ¥111.4 billion repayment of long-term debt, a ¥43.9 billion decrease in commercial paper, ¥25.9 billion in cash dividends paid and a ¥24.9 billion payment for redemption of bonds.

TOTAL ASSETS (Billions of yen)



NET ASSETS (Billions of yen)



WORKING CAPITAL (Billions of yen)
CURRENT RATIO (%)



Capital expenditure

Capital expenditure during the fiscal year under review rose by ¥19.1 billion to ¥98.9 billion, mainly due to increased capital expenditure in the overseas beverages business and the pharmaceuticals and bio-chemicals business.

Despite the increase in capital expenditure, the balance of free cash flows during FY2012 (defined as net cash provided by operating activities minus net cash used in investing activities) resulted in a positive ¥163.6 billion, reversing FY2011's negative ¥164.8 billion. This was mainly due to cash outflows of ¥344.3 billion for acquisition of shares in subsidiaries in the previous fiscal year. EBITDA also increased by ¥49.5 billion to ¥297.1 billion.

Dividends

Comprising an interim dividend of ¥13.5 and a year-end dividend of ¥15.5 per share, annual dividends for FY2012 totaled ¥29.0 per share, an increase of ¥2.0 per share from the previous fiscal year.

The Company views the appropriate distribution of profits to shareholders as a key management concern, and has distributed dividends to shareholders in every fiscal period since its foundation in 1907. The management believes that shareholders' needs can be met by providing stable, continuous dividends based in each period on a comprehensive assessment of

business performance, the target payout ratio, which takes real earnings into account, and future capital requirements. Retained earnings will be allocated to business and capital investments that contribute to enhancing future corporate value. The Company will also consider opportunities to acquire treasury stock, based on financial flexibility and on the progress made in creating free cash flow.

OUTLOOK FOR FY2013

Basic policy

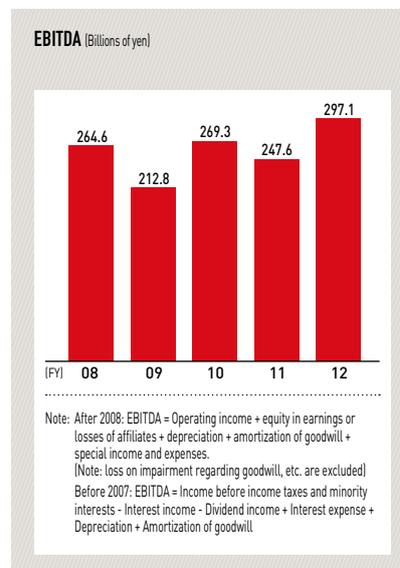
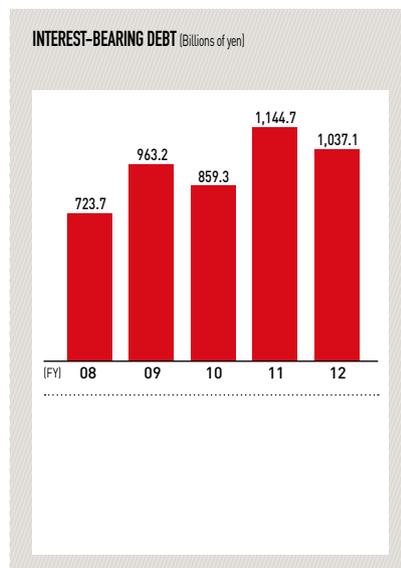
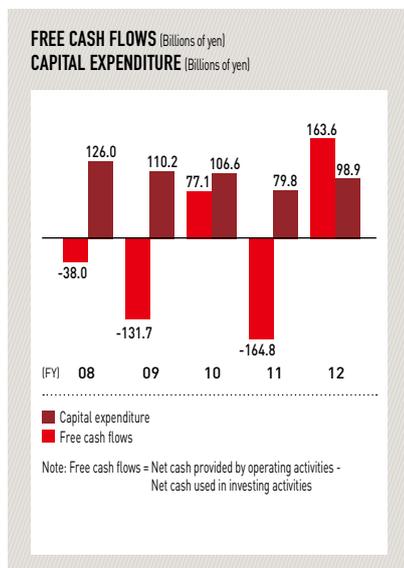
The Kirin Group under KV2015 aims to advance the Group's business steadily by making the best use of the business foundation, which has been expanded globally to achieve higher growth. In the fiscal year ending December 31, 2013 ("FY2013"), the Kirin Group will strive to increase sales and improve profitability by redirecting management toward organic growth, and by establishing and expanding "brand-centered management" to maintain superior competitive positions.

The Japan integrated beverages business will accelerate the integrated beverage strategy aimed at further growth in the Group's core business by endeavoring to nurture its product brands on a long-term perspective through the establishment of Kirin Company, Limited ("Kirin Company"). Meanwhile, overseas

integrated beverages businesses will drive growth of the entire Group by delivering results according to the respective business stages in Oceania, Brazil and Southeast Asia.

Moreover, to further deepen dialogue and collaboration with stakeholders and to promote its brand-centered management approach, the Kirin Group will take its CSR activities to the next level, especially in the Japan integrated beverages business segment, by adopting a CSV (Creating Shared Value) approach to its operation. With CSV, Kirin aims to co-create value with a wide range of stakeholders, primarily through its overall business activities throughout the value chain.

Note: In January 2013, Kirin Company was established as the headquarters in Japan of the integrated beverages business. This establishment marks the completion of a new management structure to promote a federation style of management with the Company, as the global headquarters, and the regional headquarters in Japan, Oceania, Brazil and Southeast Asia. Accordingly, starting from FY2013, the reportable segments of the Company will be changed to "Japan integrated beverages," "Oceania integrated beverages," "Other overseas integrated beverages," and "Pharmaceuticals and bio-chemicals."



JAPAN INTEGRATED BEVERAGES



From left to right: Kirin Ichiban Shibori, Kirin Nodogoshi Nama, Kirin FREE, Chateau Mercian Ensemble Moegi, Kirin Gogo-no-Kocha (Straight Tea), Kirin Mets COLA

Japan integrated beverages

To pursue further growth in the domestic integrated beverage business, under a new structure, Kirin Company will team up with other Group companies, namely Kirin Brewery, Kirin Beverage and Mercian Corporation. In addition, Kirin Company will bring “brand-centered management” to fruition by creating a virtuous cycle of: creating value for customers; enhancing the value of the corporate brand; and improving the Group’s competitive position by implementing CSV.

By concentrating management resources on core brands and by increasing consistency among the brand strategies of each business, the Group will enhance the value of product brands with a long-term perspective, which will lead to an improvement in the value of the corporate brand. Meanwhile, for the purpose of creating new value based on an in-depth understanding of changes in society and in customer needs from an integrated beverages perspective, the Group will bring together the marketing research functions formerly overseen individually by the businesses. The Group will review its product portfolio looking at integrated beverages as a whole, and will strategically allocate resources in a decisive yet flexible manner that transcends the alcohol and non-alcohol categories. Furthermore, by unifying the R&D functions of each business and merging their respective knowledge and information, in addition to promoting technical developments that lead to competitive advantage and cost reductions, the Group will also develop an environment in which new ideas not conceivable with traditional approaches and conventional wisdom

OVERSEAS INTEGRATED BEVERAGES



From left to right: XXXX Gold, Daily Farmers NEW milk, Nova Schin, Schin, San Miguel Pale Pilsen, 午后奶茶 Kirin Gogo-no-Kocha (Milk Tea)

can be generated, and will create new categories and business models.

Based on a return to the growth track in the second half of the mid-term and forward-looking investments, sales of the Japan integrated beverages business for FY2013 is forecasted as ¥1,188.0 billion, a 0.2% decrease from ¥1,190.0 billion in FY2012. Operating income for FY2013 is forecasted to decrease as well by 12.3% to ¥60.5 billion from ¥68.9 billion.

Overseas integrated beverages

By delivering results in accordance with the development stage of each region overseas, the overseas integrated beverages business will drive growth of the entire Group. In addition, it will build a regionally driven “global federation” management structure, providing a foundation for the generation of synergies.

In Oceania, Lion will continue to make progress in improving profitability through sales growth and continuous cost reduction. Its alcohol beverages business will endeavor to expand its sales base with a product portfolio strengthened through acquisitions. Meanwhile, its non-alcohol beverages business will continue its structural reform initiatives including optimization of production bases. It will also allocate its resources in particular to establish non-alcohol beverage brands, in order to better the profitability and bolster future growth of the business.

In Brazil, in addition to enhancing its presence in both the beer and non-alcohol beverages markets, Brasil Kirin will aim to further increase sales and profit by continuously promoting greater efficiencies along the entire value chain. In its beer business, Brasil Kirin will solidify its mar-

PHARMACEUTICALS AND BIO-CHEMICALS



From left to right: NESP®, POTELIGEO®, Remake® series of healthcare by Kyowa Hakko Bio

ket position by constructing a strong brand portfolio. In its non-alcohol beverages business, it will reinforce its high-value-added product brands.

In Southeast Asia, under the management of Kirin Holdings Singapore Pte. Ltd., the Group will build business foundations for the non-alcohol and alcohol beverages businesses in each market, with a particular focus on Vietnam and Thailand.

Accordingly, net sales of the overseas integrated beverages business for FY2013 is forecasted as ¥677.0 billion, a 17.3% increase from ¥577.0 billion in FY2012. Operating income for FY2013 is also forecasted to increase by 37.5% to ¥38.0 billion from ¥27.6 billion.

Pharmaceuticals and bio-chemicals

In the pharmaceuticals business, Kyowa Hakko Kirin will endeavor to further strengthen Kirin’s domestic competitiveness in the nephrology, oncology, immunology and allergology, and central nervous system categories, which will help to maximize sales and earn the trust of medical institutions. In research and development, Kyowa Hakko Kirin will advance to the next stage in the clinical development of therapeutic antibodies and promote conclusion of license agreements. Moreover, Kyowa Hakko Kirin will take on the challenge of next-generation research approaches, such as in nucleic acid medicine. In overseas markets, in pursuing its role as a global specialty pharmaceutical company, Kyowa Hakko Kirin will further expand its product line-up and enhance its market presence in Europe and the United States, based on the business model adopted by ProStrakan Group PLC. In the United

States in particular, it will proceed to build a development and sales structure aimed at placing therapeutic antibodies on the market. Kyowa Hakko Kirin will also implement strategies in Asia that reflect the prevailing business environment in each country.

In the bio-chemicals business of Kyowa Hakko Bio, it will work to promote further technical developments and to enhance the supply structure centered on the expanding global market for high-value-added amino acids. At the same time, Kyowa Hakko Bio will also work to build a strong business foundation that is not easily affected by foreign exchange fluctuations.

Based on the above, net sales of the pharmaceuticals and bio-chemicals business for FY2013 is forecasted as ¥329.0 billion, 1.9% up on ¥322.9 billion in FY2012. Operating income for FY2013 is also forecasted to increase by 4.5% to ¥58.0 billion from ¥55.5 billion.

Others

Kirin Kyowa Foods will strengthen its core business of processed food-related products by promoting the high-value-proposal approach to marketing activities. In addition, it will strive to expand business by positioning the food services and restaurant foods business and business development in China as areas for new growth.

Accordingly, sales of the other businesses for FY2013 is forecasted as ¥96.0 billion, slightly down by 0.1% from ¥96.1 billion in FY2012. On the other hand, operating income for FY2013 is forecasted to increase by 32.2% to ¥5.0 billion from ¥3.7 billion.

Notes: On March 18, 2013, the Company concluded a share transfer agreement for the transfer of all shares of Kirin Kyowa Foods Company, Limited to Mitsubishi Corporation. The earnings forecast above doesn't include the effects of this transfer.

Figures for FY2012 results are reclassified in accordance with the new business categories adopted in FY2013.

BUSINESS AND OTHER RISK FACTORS

Outlined below are the major risks faced by Kirin Group in its business activities that have been identified as having the potential to have a significant impact on the decisions of investors. Information is also presented with regard to matters that do not necessarily have a significant impact, with the aim of promoting active disclosure of information to investors. Based on an awareness and understanding of the various risks concerning its business, Kirin Group makes its best effort to enhance its risk management system, prevent and reduce risks, and to respond appropriately in the case that any such risks become apparent. The future risk items outlined below are those identified by the Company as of December 31, 2012.

Weather and natural disasters

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

Revision of laws and regulations

Kirin Group's business operations are subject in Japan to a number of laws and regulations, including those relating to liquor taxes, food sanitation, pharmaceuticals and fair trading. The Group is also subject to local laws and regulations in each of the other countries in which it operates. An example of risks is the potential for alcohol and non-alcohol consumption to decline if revisions to liquor tax and consumption tax laws result in higher consumer prices. In the pharmaceuticals business, examples of risks include the potential for changes to the Pharmaceutical Affairs Law or related regulations and ordinances that impact or delay the development of new products.

Unforeseen revisions to laws could result in the curtailment of Group activities, adversely impacting business performance and the financial position of the Group.

Strengthening of regulations

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

Increase in the price of crude oil and other raw materials

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

Fluctuations in foreign currency exchange rates and interest rates

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

Impact on asset values from equity market movements and other changes

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

Changes in the business environment

Kirin Group's business operations are significantly influenced by economic conditions and related trends in personal consumption. Simultaneous worldwide falls in consumption and demand could

have an adverse impact on the Group's business performance and financial position were they to occur. In addition, Kirin Group faces the risk that Japan's declining birth rate and aging population profile would result in overall market decline in Japan.

Litigation risk

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

Business and capital alliances

In line with Kirin Group's medium- and long-term management strategy, the Group is actively promoting the development of business and capital alliances with other companies in Japan and overseas, as part of its measures to improve the Group's competitive position and achieve growth. In undertaking this approach, however, the Group faces the risk that, due to changing economic and other circumstances in Japan and elsewhere, it may not be able to exercise sufficient control over the management, operations or assets of business alliance partners, and that the Group could be affected by circumstances at allied companies. Any such cases could have an adverse impact on the Group's business performance and financial position.

Government, economic and social unrest

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

- The emergence of unforeseeable economic, political or social developments

- Social or economic turmoil resulting from the outbreak of war, or terrorist activities

Food safety and quality

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

Pharmaceuticals product safety and quality

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

Environmental issues

Kirin Group currently complies with all laws regarding waste disposal and sanitation, and engages in comprehensive manifesto management. The Group also strictly complies with various environmental laws concerning the atmosphere, water quality, noise pollution, vibration,

odor pollution, soil contamination and land subsidence. However, the risk remains that human error or other factors could cause environmental pollution or other adverse impacts, and revisions to relevant laws and regulations may necessitate additional capital expenditure, or lead to rising costs. This could negatively impact business performance and financial position of the Group.

Information leakage and information system

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

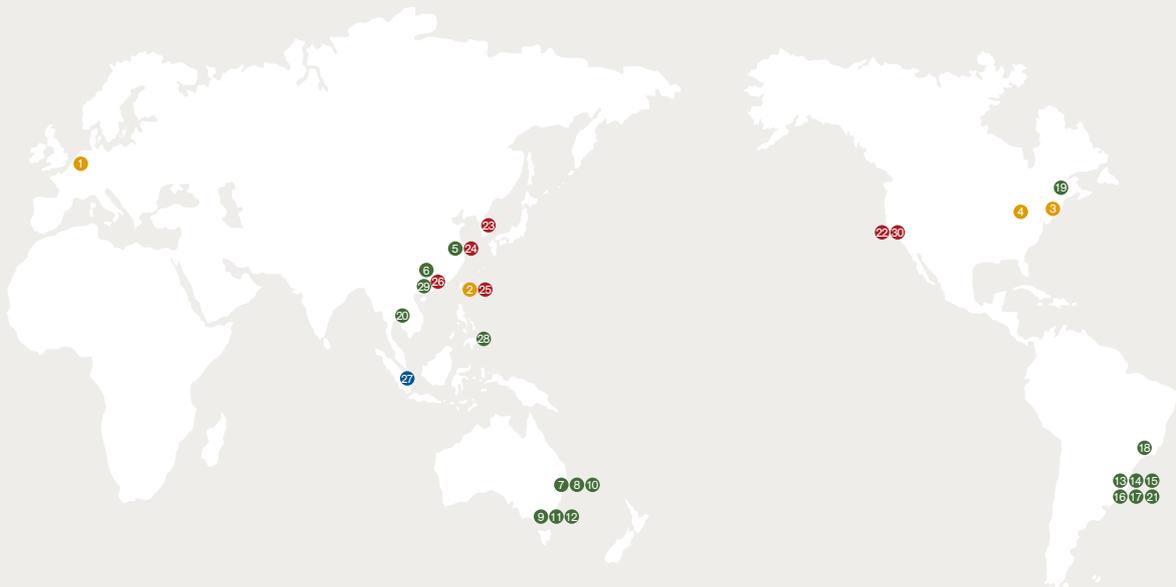
KIRIN GROUP COMPANIES

(As of December 31, 2012)

Kirin Group includes 257 consolidated subsidiaries, one unconsolidated subsidiary and 17 affiliates accounted for by the equity method.

KEY GROUP COMPANIES IN JAPAN AND OVERSEAS INCLUDE THE FOLLOWING:

Company Name	Location	Business Segment	Paid-in Capital (\$ million unless stated)	Percentage of Holding	Details of Relationship
Consolidated Subsidiaries					
Kirin Brewery Co, Limited	Tokyo, Japan	Domestic Alcohol Beverages	30,000	100.0	Capital loan, equipment leasing and concurrent director, etc.
Kirin Beer Marketing Co., Ltd. 1	Tokyo, Japan	Domestic Alcohol Beverages	500	100.0	Equipment leasing and concurrent director, etc.
Kirin & Communications Co., Ltd.	Tokyo, Japan	Domestic Alcohol Beverages	50	100.0	Equipment leasing and concurrent director, etc.
1 Kirin Europe GmbH	Dusseldorf, Germany	Domestic Alcohol Beverages	EUR 76K	100.0	Concurrent director, etc.
2 Taiwan Kirin Co., Ltd.	Taipei, Taiwan	Domestic Alcohol Beverages	TW\$64,000K	100.0	Concurrent director, etc.
3 KIRIN BEER & SPIRITS OF AMERICA, INC.	Delaware, U.S.A.	Domestic Alcohol Beverages	US\$50	100.0	Concurrent director, etc.
4 Four Roses Distillery LLC	Kentucky, U.S.A.	Domestic Alcohol Beverages	US\$60,000K	100.0	Capital loan and concurrent director, etc.
Ei Sho Gen Co., Ltd.	Tokyo, Japan	Domestic Alcohol Beverages	90	99.9	Equipment leasing and concurrent director, etc.
Kirin Distillery Co., Ltd.	Shizuoka, Japan	Domestic Alcohol Beverages	10	100.0	Concurrent director, etc.
Mercian Corporation	Tokyo, Japan	Domestic Alcohol Beverages	20,972	100.0	Equipment leasing and concurrent director, etc.
Kirin City Co., Ltd.	Tokyo, Japan	Domestic Alcohol Beverages	100	100.0	Capital loan, equipment leasing and concurrent director, etc.
Kirin Logistics Co., Ltd.	Tokyo, Japan	Domestic Alcohol Beverages	504	100.0	Equipment leasing and concurrent director, etc.
Kirin Engineering Co., Ltd.	Kanagawa, Japan	Domestic Alcohol Beverages	1,000	100.0	Concurrent director, etc.
Kirin Techno-System Corporation	Kanagawa, Japan	Domestic Alcohol Beverages	1,590	100.0	Concurrent director, etc.
Kirin Beverage Co., Ltd.	Tokyo, Japan	Domestic Non-Alcohol Beverages	8,416	100.0	Equipment leasing and concurrent director, etc.
Hokkaido Kirin Beverage Co., Ltd.	Hokkaido, Japan	Domestic Non-Alcohol Beverages	80	100.0	Concurrent director, etc.
Vivax Co., Ltd.	Hiroshima, Japan	Domestic Non-Alcohol Beverages	490	100.0	Concurrent director, etc.
Tokyo Kirin Beverage Service Co., Ltd.	Tokyo, Japan	Domestic Non-Alcohol Beverages	10	100.0	Concurrent director, etc.
Kansai Kirin Beverage Service Co., Ltd.	Osaka, Japan	Domestic Non-Alcohol Beverages	10	100.0	Concurrent director, etc.
Kirin MC Danone Waters Co., Ltd.	Tokyo, Japan	Domestic Non-Alcohol Beverages	1,500	51.0	Concurrent director, etc.
5 Kirin (China) Investment Co., Ltd.	Shanghai, China	Overseas Beverages	US\$180,000K	100.0	Concurrent director, etc.
6 Kirin Brewery (Zhuhai) Co., Ltd.	Zhuhai, China	Overseas Beverages	US\$84,700K	100.0	Concurrent director, etc.
7 LION PTY LTD	New South Wales, Australia	Overseas Beverages	AU\$7,530,940K	100.0	Capital loan and concurrent director, etc.
8 LION NATHAN PTY LIMITED	New South Wales, Australia	Overseas Beverages	AU\$536,100K	100.0	—
9 Lion-Dairy & Drinks Pty Ltd	Victoria, Australia	Overseas Beverages	AU\$552,390K	100.0	—
10 Kirin Foods Australia Holdings Pty Ltd	New South Wales, Australia	Overseas Beverages	AU\$500,000K	100.0	—
11 Berri Limited	Victoria, Australia	Overseas Beverages	AU\$186,518K	100.0	—
12 Dairy Farmers Limited	Victoria, Australia	Overseas Beverages	AU\$81,986K	100.0	—
13 Kirin Holdings Investments Brasil 2 Participacoes Ltda.	Sao Paulo, Brazil	Overseas Beverages	BRL 6,537,845K	100.0	Concurrent director, etc.
14 Aleadri-Schinni Participacoes e 3 Representacoes Ltda.	Sao Paulo, Brazil	Overseas Beverages	BRL 661,355K	100.0	Concurrent director, etc.
15 Jadangil Participacoes e Representacoes Ltda.	Sao Paulo, Brazil	Overseas Beverages	BRL 648,575K	100.0	Concurrent director, etc.
16 Brasil Kirin Participacoes e 4 Representacoes S.A.	Sao Paulo, Brazil	Overseas Beverages	BRL 620,879K	100.0	Concurrent director, etc.
17 Brasil Kirin Industria de Bebidas 5 S.A.	Sao Paulo, Brazil	Overseas Beverages	BRL1,358,080K	100.0	Concurrent director, etc.
18 Companhia de Bebidas Brasil Kirin 6	Rio de Janeiro, Brazil	Overseas Beverages	BRL 587,183K	100.0	Concurrent director, etc.
19 The Coca-Cola Bottling Company of Northern New England, Inc.	New Hampshire, U.S.A.	Overseas Beverages	US\$930K	100.0	Concurrent director, etc.
20 Siam Kirin Beverage Co., Ltd.	Bangkok, Thailand	Overseas Beverages	TB 102,000K	100.0	Concurrent director, etc.
21 INDÚSTRIA AGRÍCOLA TOZAN LTDA.	Sao Paulo, Brazil	Overseas Beverages	BRL 2,103K	88.4	Concurrent director, etc.



Company Name	Location	Business Segment	Paid-in Capital (¥million unless stated)	Percentage of Holding	Details of Relationship
Kyowa Hakko Kirin Co., Ltd.	Tokyo, Japan	Pharmaceuticals and Bio-chemicals	26,745	53.2	Equipment leasing and concurrent director, etc.
22 KYOWA HAKKO KIRIN CALIFORNIA, INC.	California, U.S.A.	Pharmaceuticals and Bio-chemicals	US\$100K	100.0	—
23 Kyowa Hakko Kirin Korea Co., Ltd. 7	Seoul, Korea	Pharmaceuticals and Bio-chemicals	KRW 2.200M	90.0	—
24 Kyowa Hakko Kirin China 8 Pharmaceutical Co., Ltd.	Shanghai, China	Pharmaceuticals and Bio-chemicals	US\$29,800K	100.0	—
25 Kyowa Hakko Kirin (Taiwan) Co., Ltd.	Taipei, Taiwan, R.O.C.	Pharmaceuticals and Bio-chemicals	TW\$12,450K	100.0	—
26 Kyowa Hakko Kirin (Hong Kong) Co., Ltd.	Hong Kong	Pharmaceuticals and Bio-chemicals	HK\$6,000K	100.0	—
Kirin Business System Co., Ltd.	Tokyo, Japan	Others	50	51.0	Capital loan, Concurrent director, etc.
Koiwai Dairy Products Co., Ltd.	Tokyo, Japan	Others	100	99.9	Concurrent director, etc.
Kirin Kyowa Foods Co., Ltd.	Tokyo, Japan	Others	3,000	100.0	Capital loan, equipment leasing and concurrent director, etc.
27 PT. KIRIN-MIWON FOODS	Jakarta, Indonesia	Others	US\$40,000K	75.0	Concurrent director, etc.
Kamakura Kaihin Hotel Co., Ltd.	Kanagawa, Japan	Others	19	91.4	Concurrent director, etc.
Kirin Group Office Co., Ltd. 9	Tokyo, Japan	Others	90	100.0	Indirect business consignment, capital loan, equipment leasing and concurrent director, etc.
Yokohama Arena Co., Ltd.	Kanagawa, Japan	Others	4,999	58.8	Concurrent director, etc.
Yokohama Akarenga Inc.	Kanagawa, Japan	Others	2,090	71.8	Concurrent director, etc.
Kirin Echo Co., Ltd.	Tokyo, Japan	Others	408	100.0	Equipment leasing and concurrent director, etc.
<Another 205 companies>	—	—	—	—	—
Equity Method Non-consolidated Subsidiary					
Japan Synthetic Alcohol Co., Ltd.	Kanagawa, Japan	Domestic Alcohol Beverages	480	66.7	—
Equity Method Affiliates					
Heineken Kirin K.K.	Tokyo, Japan	Domestic Alcohol Beverages	200	49.0	Concurrent director, etc.
Kirin Tropicana, Inc.	Tokyo, Japan	Domestic Non-Alcohol Beverages	480	50.0	Concurrent director, etc.
28 SAN MIGUEL BREWERY, INC	Metro Manila, Philippines	Overseas Beverages	PHP 15,410M	48.4	Concurrent director, etc.
29 CHINA RESOURCES KIRIN BEVERAGES (GREATER CHINA) COMPANY LIMITED	British Virgin Islands	Overseas Beverages	US\$1,000	40.0	Concurrent director, etc.
30 KIRIN-AMGEN, INC.	California, U.S.A.	Pharmaceuticals and Bio-chemicals	US\$10	50.0	—
Cosmo Foods Co., Ltd.	Tokyo, Japan	Others	52	34.1	Concurrent director, etc.
<Another 11 companies>	—	—	—	—	—

- Notes: 1. Kirin Beer Marketing Co., Ltd. was renamed in January 2012 from Kirin Merchandising Co., Ltd.
2. Kirin Holdings Investments Brasil Participacoes Ltda. corporate status was changed in March 2012 from Kirin Holdings Investments Brasil Participacoes S.A.
3. Aleadri-Schinni Parcipacoes e Representacoes Ltda. corporate status was changed in June 2012 from Aleadri-Schinni Participacoes e Representacoes S.A.
4. Brasil Kirin Participacoes e Representacoes S.A. was renamed in November 2012 from Schincariol Participacoes e Representacoes S.A.
5. Brasil Kirin Industria de Bebidas S.A. was renamed in November 2012 from Primo Schincariol Industria de Cervejas e Refrigerantes S.A.
6. Companhia de Bebidas Brasil Kirin was renamed in November 2012 from Companhia de Bebidas Primo Schincariol
7. Kyowa Hakko Kirin Korea Co., Ltd. was renamed in June from JEIL-KIRIN PHARMACEUTICAL INC.
8. Kyowa Hakko Kirin China Pharmaceutical Co., Ltd. was renamed in April 2012 from Kirin Kungpeng (China) Bio-Pharmaceutical Co., Ltd.
9. In January 2013, Kirin Group Office Co., Ltd. officially changed its name to Kirin Co., Ltd.

INVESTOR INFORMATION

(As of December 31, 2012)

KIRIN HOLDINGS COMPANY, LIMITED

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10-1 Shinkawa 2-chome, Chuo-ku,
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FURTHER INFORMATION

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

DATE OF INCORPORATION

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

PAID-IN CAPITAL

¥102,045,793,357

AUTHORIZED SHARES

1,732,026,000

OUTSTANDING SHARES

965,000,000

NUMBER OF SHAREHOLDERS

137,715

NUMBER OF EMPLOYEES

41,246 (consolidated)
256 (non-consolidated)

GENERAL MEETING OF SHAREHOLDERS

March 28, 2013

STOCK LISTINGS

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

TICKER SYMBOL NUMBERS

ODR: 2503
ADR: KNBWY

TRANSFER AGENT

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

DEPOSITARY

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

MAJOR SHAREHOLDERS

	Percentage of total shares outstanding
The Master Trust Bank of Japan, Ltd. (Trust account)	5.23%
Japan Trustee Services Bank, Ltd. (Trust account)	4.90
Meiji Yasuda Life Insurance Company	3.63
Isono Shokai, Limited	2.41
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.99
State Street Bank and Trust Company 505041	1.98
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	1.93
Japan Trustee Services Bank, Ltd. (Trust account 4)	1.88
The Chase Manhattan Bank, N. A. London, S. L. Omnibus Account	1.64
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust for Mitsubishi UFJ Trust and Banking Corporation)	1.20

MONTHLY SHARE PRICE RANGE & TRADE VOLUME Tokyo Stock Exchange



KIRIN

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

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



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