

Kirin Holdings Company, Ltd /FI  
Form CB/A  
October 20, 2010

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM CB  
TENDER OFFER/RIGHTS OFFERING NOTIFICATION FORM  
(AMENDMENT NO. 3)

Please place an X in the box(es) to designate the appropriate rule provision(s) relied upon to file this Form:

Securities Act Rule 801 (Rights Offering) [ ]

Securities Act Rule 802 (Exchange Offer) [X]

Exchange Act Rule 13e-4(h)(8) (Issuer Tender Offer) [ ]

Exchange Act Rule 14d-1(c) (Third Party Tender Offer) [ ]

Exchange Act Rule 14e-2(d) (Subject Company Response) [ ]

Filed or submitted in paper if permitted by Regulation S-T Rule 101(b)(8) [ ]

MERUSHAN KABUSHIKI KAISHA  
(Name of Subject Company)

MERCIAN CORPORATION  
(Translation of Subject Company's Name into English (if applicable))

JAPAN  
(Jurisdiction of Subject Company's Incorporation or Organization)

KIRIN HOLDINGS COMPANY, LIMITED  
(Name of Person(s) Furnishing Form)

N/A  
(Title of Class of Subject Securities)

N/A  
(CUSIP Number of Class of Securities (if applicable))

Shigeto Maeda  
10-1 Shinkawa 2-chome  
Chuo-ku Tokyo 104-8288, Japan  
Telephone: +81-3-5540-3424

(Name, Address (including zip code) and Telephone Number (including area code) of Person(s) Authorized to Receive Notices and Communications)

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on Behalf of Subject Company)

N/A  
(Date Tender Offer/Rights offering Commenced)

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PART I  
INFORMATION SENT TO SECURITY HOLDERS

Attached as Exhibit I is an English translation of the Convocation Notice of the Extraordinary General Meeting of Shareholders which was distributed on October 20, 2010 to shareholders of Mercian Corporation.

PART II  
INFORMATION NOT REQUIRED TO BE SENT TO SECURITY HOLDERS

Not applicable.

PART III  
CONSENT TO SERVICE OF PROCESS

Form F-X appointing an agent for service of process in connection with the subject transaction was filed concurrently with Form CB filed with the Commission on August 27, 2010.

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PART IV  
SIGNATURES

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

/s/ Ryoichi Yonemura

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(Signature)

Ryoichi Yonemura  
General Manager  
Strategic Planning Department

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(Name and Title)

October 20, 2010

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(Date)

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NOTICE TO SHAREHOLDERS RESIDENT IN THE UNITED STATES:

This notice relates to a proposed business combination which involves the securities of a foreign company. It is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.

Translation of Japanese original

Stock Code: 2536  
October, 20 2010

To Our Shareholders:

Convocation Notice of the Extraordinary General Meeting of Shareholders

Dear Shareholders:

Please be advised that the Extraordinary General Meeting of Shareholders (the "Meeting") of Mercian Corporation (the "Company") will be held as set forth below. You are cordially requested to attend the Meeting.

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Yours very truly,

Hiroshi Ueki  
President and CEO

Mercian Corporation  
5-8, Kyobashi 1-chome,  
Chuo-ku, Tokyo

If you do not plan to attend the meeting, you may exercise your voting rights in writing (by mail). Please review the accompanying Reference Documents for the General Meeting of Shareholders and indicate your approval or disapproval of the propositions on the enclosed Voting Rights Exercise Form, then return it to us via postal mail so that it will reach us by November 4, 2010 (JST).

#### Details of the Meeting

1. Date and Time:

November 5, 2010, (Friday) at 10:00 a.m.,

2. Place:

New Pier Hall, 1st floor, New Pier Takeshiba North Tower  
11-1, Kaigan 1-chome, Minato-ku, Tokyo

\* Please refer to “Guide Map to the Place of the Meeting” in the end of this document, since the place of the Meeting is different from that of 93rd Ordinary General Meeting of Shareholders held this March.

3. Agenda:

Matters to be voted on:

Proposition: Approval of Share Exchange Agreement between Mercian Corporation and Kirin Holdings Company, Limited

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

If any changes are required in the Reference Documents for the General Meeting of Shareholders, the changes will be posted on the Company's website (<http://www.mercian.co.jp/>).

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Reference Documents for the General Meeting of Shareholders

Proposition: Approval of Share Exchange Agreement Mercian Corporation and Kirin Holdings Company, Limited

The Company and Kirin Holdings Company, Limited (“Kirin Holdings”) resolved, at respective board of directors meetings held on August 27, 2010, to implement a share exchange (the “Share Exchange”) pursuant to a share exchange agreement entered into by Kirin Holdings and the Company today (the “Share Exchange Agreement”), under which Kirin Holdings will become the wholly owning parent of the Company and the Company will become a wholly owned subsidiary of Kirin Holdings.

In line with the proceeding above, the Company would like to ask our shareholders of approval for the Share Exchange Agreement.

The Share Exchange is scheduled to become effective as of December 1, 2010. In accordance with the provision of Paragraph 3 of Article 796 of the Japanese Corporate Law, the Share Exchange is scheduled to be implemented without the approval at a general meeting of Kirin Holdings shareholders. With shareholders of the Company approving this proposal, Kirin Holdings will become the wholly owing parent of the Company as of December 1, 2010. Accordingly, the Company will become a wholly owned subsidiary of Kirin Holdings. The stock of the Company will be delisted on November 26, 2010 (the last trading date will be November 25, 2010).

1. Reason for the Share Exchange

Since the execution of the strategic business alliance agreement in 2006, the Company and Kirin Holdings have been, with certain positive results, promoting efficiency of managerial resources and improving the profitability by enhancing the sales force, toward the achievement of the long-term management plan of Kirin Holdings Group “Kirin Group Vision 2015” (or “KV2015”), through utilizing the merchandizing function of Kirin Group, effective usage of production and distribution sites, and active exchanges among the employees.

However, the Company was required to correct its financial statements for the last fiscal year, as announced on August 12, 2010, due to a discovery of an inappropriate transaction in the Department of Fish Feedstuffs in May, 2010. In response to this event, the Company determined that its management

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base and corporate governance urgently require reinforcement, and decided to become a wholly owned subsidiary of Kirin Holdings.

Through becoming the wholly owned subsidiary of Kirin Holdings, the Company will establish a stable revenue/business base at an early stage, and provide products and services of higher quality, as well as seek sustainable growth and development through increasing business efficiency by speeding decision making and execution and by strengthening the ability to respond to changes in the external environment with a focus on the wine/alcoholic beverage business.

Furthermore, the Company and Kirin group will strive to improve corporate value through synergies and improved competitiveness by enhancing the group alliance in the domestic alcohol business and strive to realize dramatic growth in the “food and health” area proposed in KV2015.

## 2. Outline of the Share Exchange Agreement

The details of the Share Exchange Agreement entered into between the Company and Kirin Holdings on August 27, 2010 are below.

### Share Exchange Agreement (A transcript)

Kirin Holdings Company, Limited (located at 2-10-1, Shinkawa, Chuo-ku, Tokyo and hereinafter referred to as “Kirin”) and Mercian Corporation (located at 1-5-8, Kyobashi, Chuo-ku, Tokyo and hereinafter referred to as “Mercian”) hereby enter into this Share Exchange Agreement (this “Agreement”) as follows.

#### Article 1. Share Exchange

Kirin and Mercian will effect a share exchange (the “Share Exchange”) in accordance with this Agreement, under which Kirin is the share exchange wholly-owning parent company (kabushiki kokan kanzen oyagaisha) and Mercian is the share exchange wholly-owned subsidiary (kabushiki kokan kanzen kogaisha), and Kirin will acquire all the outstanding shares of Mercian held by holders other than Kirin.

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Article 2. Number of Shares Delivered in Share Exchange and Allotment

1. Pursuant to the Share Exchange, immediately prior to the effective time of the Share Exchange, Kirin shall deliver common shares of Kirin to each shareholder of Mercian (i.e, shareholders of Mercian, excluding Kirin, after the cancellation of Mercian's treasury shares under Article 6) in a number equal to the of common shares of Mercian held by such shareholder multiplied by 0.14, in consideration for the shares of Mercian's common share held by such shareholder.
2. Kirin shall allot common shares of Kirin to each Mercian shareholder immediately prior to the effective time of the Share Exchange (i.e, shareholders of Mercian, excluding Kirin, after the cancellation of Mercian's treasury shares under Article 6) at the exchange rate of 0.14 shares of Kirin's common stock for each share of Mercian's common stock held by each such shareholder. If any share of Kirin's common stock so allotted is a fractional share less than one (1) share, such share shall be treated pursuant to Article 234 of the Company Law.

Article 3. Matters Regarding Capital and Reserve Amount of Kirin

As a result of the Share Exchange, the amount of capital and reserve of Kirin will increase as follows:

- |                                      |  |
|--------------------------------------|--|
| (1) Capital amount                   | JPY0   |
| (2) Capital reserve amount           | the minimum amount required to be increased under laws and regulations |
| (3) Retained earnings reserve amount | JPY0   |

Article 4. Effective Date

The effective date of the Share Exchange (the "Effective Date") shall be December 1, 2010; provided, however, that the date of the Effective Date may be changed upon discussion and agreement between Kirin and Mercian if such change is necessary as a matter of procedure or for other reasons.

Article 5. Approval of Share Exchange at General Meeting of Shareholders

1. Mercian shall convene an extraordinary meeting of shareholders that shall be held prior to the Effective Date (or changed Effective Date, if applicable) at which Mercian shall seek approval for the execution of this Agreement and other matters necessary for the Share Exchange.
  2. Kirin shall implement the Share Exchange without seeking a resolution of approval at a general meeting of shareholders as stipulated in Paragraph 1 of Article 795 of the Corporate Law
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pursuant to the main provision of Paragraph 3 of Article 796 of Corporate Law; provided, however, that if shareholders holding no less than the number of shares stipulated in Paragraph 4 of Article 796 of the Corporate Law and Article 197 of the Enforcement Ordinance of the Corporate Law notify Kirin of their objection to the Share Exchange, Kirin and Mercian shall determine how to address such objection upon mutual discussion and agreement.

Article 6. Cancellation of Treasury Shares

Mercian shall cancel treasury shares held by it on a date prior to the allotment and delivery of common shares of Kirin on the Effective Date under Article 2 (with respect to any Mercian shareholders that object to the Share Exchange and demand Mercian to purchase shares held by such shareholders pursuant to Paragraph 1 of Article 785 of the Corporate Law, the time after such purchase and prior to the allotment and delivery of Kirin's common share under Article 2; hereinafter referred to as the "Record Date") on the Record Date upon resolution at a meeting of board of directors held prior to the Effective Date.

Article 7. Management of Corporate Properties

After the date of this Agreement and until the Effective Date, Kirin and Mercian shall manage and operate their respective businesses and properties with the care of a good faith manager, and any action that would materially affect their properties or rights and obligations shall be subject to prior discussion and agreement between Kirin and Mercian.

Article 8. Change of Terms of Share Exchange; Termination of Agreement

If, after the date of this Agreement and before the Effective Date, (a) the status of the properties or management of either Kirin or Mercian has been materially changed, (b) a situation has occurred that materially affects the implementation of the Share Exchange or (c) the purposes of this Agreement have become difficult to achieve due to an act of God or other reasons, Kirin and Mercian may amend the terms and conditions of the Share Exchange or terminate this Agreement to cancel the Share Exchange upon discussion and agreement between Kirin and Mercian.

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Article 9. Effect of this Agreement

This Agreement shall lose effect if (a) Mercian fails to obtain approval at the extraordinary meeting of shareholders provided under Article 5.1, (b) if the proviso in Section 5.2 is triggered and Kirin subsequently fails to obtain approval at a general meeting of shareholders under Paragraph 1 of Article 795 of the Corporate Law, (c) either Kirin or Mercian fails to obtain such approvals from competent authorities as required to be obtained in advance for the effect of the Share Exchange under laws and regulations or (d) this Agreement is terminated pursuant to the preceding article.

Article 10. Discussion

Any matters necessary for the Share Exchange in addition to the matters set forth in this Agreement shall be decided by Kirin and Mercian upon mutual discussion and agreement in accordance with the purpose of this Agreement.

IN WITNESS WHEREOF, this Agreement was made in duplicate and, upon signing and sealing, Kirin and Mercian shall retain each one (1) copy.

August 27, 2010

Kirin:

[signature]

2-10-1, Shinkawa, Chuo-ku, Tokyo  
Kirin Holdings Company, Limited  
Senji Miyake, President and CEO

Mercian:

[signature]

1-5-8, Kyobashi, Chuo-ku, Tokyo  
Mercian Corporation  
Hiroshi Ueki, President and CEO

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3. Outline on the provisions of Article 184 of the Ordinance for Enforcement of Japanese Corporate Law

(1) Matters relating to appropriateness of the consideration of the share exchange

Total amount of the consideration of the share exchange and appropriateness of the allotment

In order to ensure fairness and reasonableness of the share exchange ratio for the Share Exchange (the “share exchange rate”), each of the parties decided to request a separate independent third party valuation institution to calculate a share exchange rate. For this purpose, Kirin Holdings appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“Mitsubishi UFJ Morgan Stanley”) and the Company appointed Frontier Management, Inc. (“Frontier Management”).

Mitsubishi UFJ Morgan Stanley determined that the value of Kirin Holdings' common stock should be analyzed using the market price analysis based on the fact that Kirin Holdings' common stock, which is listed on the Tokyo Stock Exchange (the “TSE”), Osaka Securities Exchange (“OSE”), Nagoya Stock Exchange (the “Nagoya Stock Exchange”), Sapporo Securities Exchange (the “Sapporo Securities Exchange”) and Fukuoka Stock Exchange (the “Fukuoka Stock Exchange”), has a very large market capitalization and is highly liquid. Mitsubishi UFJ Morgan Stanley generally analyzed the value of Kirin Holdings' common stock using the market price analysis (i.e., the closing price as of the calculation base date (which was August 23, 2010), the average closing prices for the one (1) month period prior to the calculation base date and for the three (3) month period prior to the calculation base date).

For the common stock of the Company, based on the fact that the market price of the Company's common stock is available, as it is listed on the TSE and OSE, Mitsubishi UFJ Morgan Stanley employed the market price analysis (i.e., the average closing prices for the one (1) month period prior to the calculation base date (which is August 23, 2010), the average closing prices for the three (3) month period prior to the calculation base date and, in order to reflect the impact of the “Internal Investigation Report Concerning

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Inappropriate Trade by the Department of Fish Feedstuffs and Interim Report by Third Party Committee” and the “Differences from Second Quarter Consolidated Performance Forecast and Modification of Consolidated Performance Forecasts for the Year and Dividend Forecast” published by the Company on August 12, 2010, the average closing price for the period starting on the business day immediately following the publication of the above announcements through the calculation base date), and also employed both the comparable companies analysis, based on the fact that several listed companies in similar industries are available for comparison, and the discounted cash flow analysis (“DCF Analysis”) in order to reflect the status of future business activities. According to Mitsubishi UFJ Morgan Stanley, the outline of the calculation results for the share exchange rate is as follows (showing the value range of one the Company share in terms of Kirin Holdings shares, calculated based on each of the above valuation methods for Kirin Holdings' per share stock price).

Analysis Used	Range of Share Exchange Rate
Market Price	0.123~0.156
Comparable Companies Analysis	0.086~0.143
DCF Analysis	0.137~0.168

In calculating the above share exchange rates, Mitsubishi UFJ Morgan Stanley generally relied on the information provided by both companies and publicly available information, and assumed that all such information was accurate and complete without independent verification of the accuracy or completeness of such information. Mitsubishi UFJ Morgan Stanley has not independently valued or appraised, nor has it requested a third party institution to value or appraise, assets or liabilities (including off-balance sheet assets and liabilities, and other contingent liabilities) of either company or their affiliated companies. In addition, Mitsubishi UFJ Morgan Stanley assumed that the information relating to the Company's financial forecasts has been reasonably prepared by the Company's management based on the best estimates and judgments of the Company's management available at the time. The calculation results provided by Mitsubishi UFJ Morgan Stanley reflect the above information, among other information, that was available as of August 23, 2010.

Frontier Management valued common stock of Kirin Holdings and the Company using the market price average method and a discounted cash flow method (“DCF Method”). Setting the calculation base date for the market price average method at August 25, 2010, Frontier Management calculated average closing prices for the period starting on August 13, 2010 (the business day immediately following the day on which “Second Quarter Results for the Year Ending in December 2010 (Japanese Standards) (Consolidated)” and “Internal Investigation Report Concerning Inappropriate Trade by the Department of Fish Feedstuffs and Interim Report by Third Party Committee” were published by the Company) through the calculation base date, for the one (1) month period starting on July 26, 2010 through the calculation base date, and for the period starting on June 14, 2010 (the business day immediately following the day on which “Report Concerning Inappropriate Trade by the Department of Fish Feedstuffs (Second Report)” was published by the Company) through the calculation base date. The calculation results for the share exchange rate are as follows (showing share exchange rates as the number of Kirin Holdings shares that would be exchanged for one share of the Company stock calculated using each of the above valuation methods for the Company's per share stock price ).



Frontier Management valued common stock of Kirin Holdings and the Company using the market price average method and a discounted cash flow method (“DCF Method”). Setting the calculation base date for the market price average method at August 25, 2010, Frontier Management calculated average closing prices for the period starting on August 13, 2010 (the business day immediately following the day on which “Second Quarter Results for the Year Ending in December 2010 (Japanese Standards) (Consolidated)” and “Internal Investigation Report Concerning Inappropriate Trade by the Department of Fish Feedstuffs and Interim Report by Third Party Committee” were published by the Company) through the calculation base date, for the one (1) month period starting on July 26, 2010 through the calculation base date, and for the period starting on June 14, 2010 (the business day immediately following the day on which “Report Concerning Inappropriate Trade by the Department of Fish Feedstuffs (Second Report)” was published by the Company) through the calculation base date. The calculation results for the share exchange rate are as follows (showing share exchange rates as the number of Kirin Holdings shares that would be exchanged for one share of the Company stock calculated using each of the above valuation methods for the Company's per share stock price ).

Method Used	Range of Share Exchange Rate
Market Price Average Method	0.127~0.134
DCF Method	0.134~0.150

Frontier Management calculated the share exchange rates assuming that all the publicly disclosed information, financial information and other information provided by both companies that Frontier Management examined in calculating the share exchange rate was accurate and complete, and has not independently verified the accuracy or completeness of such information. Frontier Management has not independently valued or assessed, nor has it requested a third party institution to appraise or assess (including analysis and valuations of each separate asset and liability), assets or liabilities (including financial derivatives, off-balance sheet assets and liabilities, and other contingent liabilities) of either company or their affiliated companies. In addition, Frontier Management assumed that the information relating to the financial forecasts and other information regarding future standing provided by both companies had been reasonably prepared by the respective companies' management based on the best forecasts and determinations available at the time and that the financial situation of both companies would fluctuate in line with such forecasts, and relied on such forecasts and related materials without independent examination.



Kirin Holdings and the Company engaged in repeated negotiations and discussions based on the analysis provided by the above third party valuation institutions, and bearing in mind their respective financial conditions, performance trends and stock price movements, etc. As a result, Kirin Holdings and the Company determined that the share exchange rate set forth in aforementioned 2. was advantageous to the shareholders of both Kirin Holdings and the Company, and resolved the share exchange rate for the Share Exchange upon approval obtained at meetings of their respective boards of directors held on August 27, 2010.

Matters relating to the appropriateness of the amounts of common stock and surpluses of Kirin Holdings

The amounts of common stock and surpluses of Kirin Holdings which will be increased upon the Share Exchange

(i) Common stock	0 yen
(ii) Capital surplus	Amount which should be raised pursuant to the provisions of laws and regulations
(iii) Retained earnings	0 yen

The Company deems that the amounts of common stock and surpluses to be increase stated above are appropriate based on Kirin Holdings' capital policy.

Reason for having selected Kirin Holdings shares as the consideration of the share exchange

The selection of Kirin Holdings shares as a consideration of the share exchange took into account the following factors: i) the shares of Kirin Holdings are deemed to have liquidity as they are listed on financial instruments exchanges, and ii) the Company's shareholders will be able to benefit from the synergies created by establishing the relationship between the sole parent company and a wholly owned consolidated subsidiary due to the Share Exchange if they receive Kirin Holdings shares.

Matters that having been considered so as not to damage interests of shareholders of the Company

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(i)

#### Measures to Ensure Fairness

Since Kirin Holdings already holds 50.12% of the total outstanding shares of the Company, in order to ensure the fairness of the share exchange rate for the Share Exchange, Kirin Holdings and the Company each retained independent third party valuation institutions. Kirin Holdings requested Mitsubishi UFJ Morgan Stanley to calculate the share exchange rate for the Share Exchange, and negotiated and discussed the share exchange rate with the Company based on such calculation result, and the Board of Directors of Kirin Holdings resolved the Share Exchange at the share exchange rate specified in aforementioned 2. at their meeting held on August 27, 2010. Please note, however, that the results of the calculation of the share exchange rate submitted by Mitsubishi UFJ Morgan Stanley do not constitute its opinion regarding the fairness of such share exchange rate for the Share Exchange.

The Company requested Frontier Management as an independent third party valuation institution to calculate the share exchange rate for the Share Exchange, and negotiated and discussed the share exchange rate with Kirin Holdings based on such calculation result, and the Board of Directors of the Company resolved the Share Exchange at the share exchange rate specified in aforementioned 2. at their meeting held on August 27, 2010. The Company has obtained a fairness opinion dated August 26, 2010 from Frontier Management stating that the share exchange rate specified in aforementioned 2. is reasonable for the shareholders of the Company's common stock (other than Kirin Holdings) from a financial perspective.

In addition, the Company has retained Nagashima Ohno & Tsunematsu as their legal advisor and was advised regarding decision making procedures, methods and processes for the Share Exchange.

(ii)

#### Measures to Avoid Conflict of Interests

In order to avoid conflicts of interest, the following directors of the Company did not participate in the discussions or resolutions regarding the Share Exchange nor did they participate in the discussions or negotiations regarding the Share Exchange with Kirin Holdings as officers of the Company: Mr. Hiroshi Ueki, who is a director of Kirin

Brewery Company, Limited, a wholly owned subsidiary of Kirin Holdings, and Mr. Koichi Matsuzawa, who is the representative director of Kirin Brewery Company, Limited and a director of Kirin Beverage Company, Limited, also a wholly owned subsidiary of Kirin Holdings. Furthermore, in order to avoid conflicts of interest, the following statutory auditors of the Company did not participate in the discussions or resolutions regarding the Share Exchange, nor did they participate in the discussions or negotiations regarding the Share Exchange with Kirin Holdings as statutory auditors of the Company, or express any opinion regarding the Share Exchange: Mr. Hitoshi Oshima, a statutory auditor of Kirin Holdings and Kirin Brewery Company, Limited, and Mr. Naoki Hyakutake, an employee of Kirin Holdings.

Because there is no director of Kirin Holdings who also serves or served as officer or employee of the Company, Kirin Holdings did not take specific measure to avoid conflict of interests.

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(2) Matters relating to the consideration of the share exchange

Articles of Incorporation of Kirin Holdings as a soon-to-be wholly owing parent company

Chapter I. General Provisions

Article 1. The Company shall be called KIRIN HOLDINGS KABUSHIKI KAISHA, which shall be written in English Kirin Holdings Company, Limited.

Article 2. The purposes of the Company shall be to own shares or interests in companies (including foreign companies), kumiai (including foreign associations similar to kumiai), and other similar business entities that engage in the following businesses and to control and manage business activities of such companies and entities.

- (1) Manufacture and sale of beer and other liquors.
  - (2) Manufacture and sale of soft and other drinks.
  - (3) Manufacture and sale of foods.
  - (4) Manufacture and sale of chemical products.
  - (5) Manufacture, sale, import and export of pharmaceutical products and medical machinery and equipment.
  - (6) Manufacture and sale of fertilizers and feedstuffs.
  - (7) Sale and purchase, leasing and renting and administration and management of real estates.
  - (8) Warehousing business.
  - (9) Operation of sporting facilities.
  - (10) Operation of eating establishments, inns and hotels.
  - (11) Designing, manufacture, installation work, operation and management of manufacturing equipment for liquors, various kinds of drinks and the like and its related apparatus and technical instructions therein and sale thereof.
  - (12) Production and sale of such agricultural products as seeds and saplings, flowering plants, vegetables, fruit and the like.
  - (13) Financial business.
  - (14) Cargo transportation by automobiles.
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(15) Business incidental or related to the businesses in each of the preceding items.

The Company may engage in any business set forth in each of the items in the preceding Paragraph and any business incidental or related thereto.

## Chapter II. Shares

Article 5. The total number of shares authorized to be issued by the Company shall be 1,732,026,000 shares.

Article 6. In accordance with the provisions of Article 165(2) of the Corporation Law, the Company may, by a resolution of the Board of Directors of the Company, acquire treasury shares.

Article 7. The number of shares to constitute a unit share of the Company (Tangen-kabu) shall be 1,000.

Article 8. Shareholders holding fractional unit share may request the Company to sell the number of shares that will, together with such fractional unit share, constitute one unit share of the Company.

Article 9. Shareholders of fractional unit shares of the Company may not exercise their rights in relation to such fractional unit shares other than those stipulated in each of the following items.

(1) Rights provided in each of the items of Article 189(2) of the Corporation Law

(2) Rights to request pursuant to the provisions of Article 166(1) of the Corporation Law

(3) Rights to receive allotment of share offering and allotment of share subscription rights in accordance with the number of shares possessed by the shareholders

(4) Rights to request provided in Article 9

Article 10. The handling relating to shares, and share subscription rights together with the fees therefor and procedures for the exercise of shareholders' rights shall be governed by the provisions of the relevant laws and regulations or the Articles of Incorporation of the Company and the Share Handling Regulations to be established by the Board of Directors.

Article 11. The Company shall have a shareholder register administrator with respect to shares.

The shareholder register administrator and its business office shall be determined by resolution of the Board of Directors and public notice shall be given thereof.

The preparation and maintenance of the shareholder register and the register of share subscription rights of the Company and other businesses relating to shares and share subscription rights shall be entrusted to the shareholder register administrator and not handled by the Company.

Article 12. The Company shall treat the shareholders appearing or recorded in the final shareholder register as of December 31 of each year as the shareholders entitled to exercise their rights at the ordinary general meeting of shareholders.

If it is necessary, in addition to the case of the preceding paragraph or other cases set forth in the Articles of Incorporation, the Company may, upon giving prior public notice, set a certain date and treat the shareholders or the registered share pledgees appearing or recorded in the register of shareholders as of such date as the shareholders or the pledgees entitled to exercise their rights as such.

### Chapter III. General Meeting of Shareholders

Article 13. The ordinary general meeting of shareholders shall be convened in March of each year.

Extraordinary general meetings of shareholders shall be convened whenever necessary.

The general meeting of shareholders shall be convened in the wards of the Metropolis of Tokyo.

Article 14. Chairmanship of a general meeting of shareholders shall be assumed by the President. If the office of the President is vacant or if the President is unable to act, the chairmanship shall be assumed by another Director in the order previously fixed by resolution of the Board of Directors.

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Article 15. As for the convocation notice of the general meeting of shareholders, the Company is considered to have provided the information to be stated or indicated in the reference documents for the general meeting of shareholders, business reports, financial statements and consolidated financial statements to the shareholders by disclosing such information via the internet in accordance with the Ordinance of the Ministry of Justice.

Article 16. A Shareholder may appoint one proxy who exercises such shareholder's voting rights on behalf of such shareholder; provided, however, that such proxy must be a shareholder of the Company entitled to vote.

A shareholder or a proxy shall submit a document certifying the power of representation to the Company at each general meeting of shareholders.

Article 17. Unless otherwise provided for in laws and regulations, or the Articles of Incorporation, the resolutions of a general meeting of shareholders shall be adopted by a majority of the shareholders present.

Resolutions of a general meeting of shareholders as provided for in Article 309(2) of the Corporation Law shall be adopted, at such meeting at which shareholders holding 1/3 or more of the voting rights of all shareholders entitled to exercise their voting rights are present, by 2/3 or more of the voting rights of the shareholders so present.

Article 18. The gist of the proceedings and the actions taken at a general meeting of shareholders and other matters provided by relevant laws and regulations shall be recorded in minutes, and such minutes shall be kept at the Company.

#### Chapter IV. Directors and Board of Directors

Article 19. The Company shall establish a Board of Directors.

Article 20. The Company shall have not more than 12 Directors.

Article 21. Directors shall be elected at a general meeting of shareholders.

For the purpose of election under the preceding paragraph, the presence of holders of 1/3 or more of the voting rights held by all shareholders entitled to exercise their voting rights and a majority of the voting rights of the shareholders so present shall be required.

No cumulative voting shall be used for the election of Directors.

Article 22. The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders relating to the last fiscal year that closes within 1 year after the election.

Article 23. The remuneration, bonuses and any other proprietary benefits to be paid to Directors by the Company in consideration for their performance of duty (hereinafter referred to as “remunerations”) shall be subject to the resolution of a general meeting of shareholders.

Article 24. The Board of Directors shall be composed of the Directors, and shall decide the management of corporate affairs and supervise the execution of the duties by Directors.

Article 25. The Board of Directors may, by its resolution, appoint one Chairman of the Board and one President, and appoint several Vice Presidents, Senior Managing Directors and Managing Directors.

The President shall represent the Company.

In addition to the preceding paragraph, the Board of Directors may, by its resolution, select one or more other Directors to represent the Company.

Article 26. Convocation notice of a meeting of the Board of Directors shall be dispatched to each Director and each Corporate Auditor at least three (3) days prior to the date of the meeting; provided, however, that such period may be shortened in case of urgency.

Article 27. The resolutions of the Board of Directors shall be made by a majority of the Directors present when a majority of the Directors entitled to participate in the vote are present.

Propositions relating to matters to be resolved by the Board of Directors shall be deemed to have been resolved by the Board of Directors if all the Directors (limited to those Directors entitled to participate in the vote) agreed in writing or by electromagnetic means; provided, however, that a proposition shall not be deemed to be resolved if any of the Corporate Auditors objected to such proposition.

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Article 28. The Company may, by resolution of the Board of Directors, exempt any Director (including former Directors) from liabilities to the extent provided in laws and regulations.

Chapter V. Corporate Auditors and Board of Corporate Auditors

Article 29. The Company shall appoint Corporate Auditors and establish a Board of Corporate Auditors.

Article 30. The Company shall have not more than 5 Corporate Auditors.

Article 31. Corporate Auditors shall be elected at a general meeting of shareholders.

For the purpose of election under the preceding paragraph, the presence of holders of 1/3 or more of the voting rights held by all shareholders entitled to exercise their voting rights and a majority of the voting rights of the shareholders so present shall be required.

Article 32. The term of office of Corporate Auditors shall expire at the close of the ordinary general meeting of shareholders relating to the last fiscal year that closes within 4 years after the election; provided, however, that the term of office of Corporate Auditors elected to fill the vacancies created by the retirement of Corporate Auditors before expiration of their term of office will expire at such time as the term of office of the retired Corporate Auditors would have expired.

Article 33. The remunerations to Corporate Auditors shall be subject to the resolution of a general meeting of shareholders.

Article 34. The Board of Corporate Auditors shall be composed of Corporate Auditors. The Board shall have the functions provided for in laws and regulations and shall also, by its resolution, be entitled to determine matters relating to the execution of duties of Corporate Auditors; provided, however, that the Board shall not interfere with the exercise of functions of Corporate Auditors.

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Article 35. The Board of Corporate Auditors shall select a standing Corporate Auditor(s) from among the Corporate Auditors.

Article 36. Convocation notice of a meeting of the Board of Corporate Auditors shall be dispatched to each Corporate Auditor at least three (3) days prior to the date of the meeting; provided, however, that such period may be shortened in case of urgency.

Article 37. The resolutions of the Board of Corporate Auditors shall be made by a majority of Corporate Auditors.

Article 38. The Company may, by resolution of the Board of Directors, exempt any Corporate Auditor (including former Corporate Auditors) from liabilities to the extent provided in laws and regulations.

#### Chapter VI. Accounting Auditors

Article 39. The Company shall have Accounting Auditors.

Article 40. The Accounting Auditors shall be elected at a general meeting of shareholders.

Article 41. The term of office of Accounting Auditors shall expire at the close of the ordinary general meeting of shareholders relating to the last fiscal year that closes within 1 year after the election.

Unless otherwise resolved at the ordinary general meeting of shareholders provided in the preceding paragraph, Accounting Auditors shall be deemed to be re-elected at such ordinary general meeting of shareholders.

#### Chapter VII. Accounts

Article 42. The fiscal year of the Company shall commence on January 1 and end on December 31 of each year.

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Article 43. The Company shall, by resolution of the general meeting of shareholders, appropriate dividends of surplus and pay the same to the shareholders or registered share pledgees appearing or recorded in the final shareholder register as of the last day of each fiscal year.

By resolution of the Board of Directors, the Company may pay interim dividends to the shareholders or registered share pledgees appearing or recorded in the final shareholder register as of June 30 of each year.

Article 44. The Company shall be relieved of the obligation to pay any dividends of surplus (including interim dividends; the same applies hereinafter) upon expiration of 5 years following the day on which such dividend became due and payable.

Dividends of surplus shall bear no interest.

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Encashment method for the consideration of the share exchange

- (i) The market where the consideration of the share exchange will be traded

Shares of common stock of Kirin Holdings which will be the consideration of share exchange are traded in respective First Sections of Tokyo Stock Exchange, Osaka Securities Exchange, and Nagoya Stock Exchange, along with in Sapporo Securities Exchange and Fukuoka Stock Exchange.

- (ii) Entities in charge of intermediation and brokerage or representation in trading of the consideration of the share exchange

- (iii) Services including intermediation and brokerage are conducted in securities companies across Japan.

Restrictions made on disposal such as transferring of the consideration of share exchange

None applicable

Market price of the consideration of the share exchange

Transitions in share prices of Kirin Holdings' common stock in Tokyo Stock Exchange for the last six months were as below.

	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010
Highest Share Price (yen)	1,424	1,347	1,246	1,176	1,215	1,214
Lowest Share Price (yen)	1,317	1,188	1,116	1,090	1,145	1,145

Balance sheets of Kirin Holdings (which will become the wholly owning parent)

This description is omitted as Kirin Holdings has submitted its securities report.

- (3) Matters relating to the appropriateness of the provision on share warrants in connection with the share exchange

None applicable

(4) Content of financial statements for the last fiscal year of Kirin Holdings

BUSINESS REPORT

(For the period from January 1 to December 31, 2009)

1. Overview of Kirin Group business activities

(1) Kirin Group developments and results of business activities

The global economy remained in a serious condition throughout this consolidated fiscal year, in spite of indications that the downturn might have bottomed out. In Japan, economic stimulus plans and other measures had positive effects leading to a mild recovery but the unemployment rate and such continue to be less than favorable.

At Kirin Group, we regarded the three-year period from 2007 through 2009 as the first stage of the long-term business framework "Kirin Group Vision 2015" (KV2015). As the final year of this first stage, fiscal 2009 targeted expanding the business bases necessary for the quantum leap in growth and engaging 'qualitative expansion' to improve profitability. As a part of these efforts, we pursued development of group synergies and promoted an integrated beverages group strategy aimed at fusing together the value chains of alcohol and other beverages.

In the Japanese market, the foundation for our quantum leap in growth, further efforts were expended to ensure a solid footing. Kirin Brewery Co., Ltd. has received a level of high customer support for meeting customer needs in the midst of a difficult consumer market throughout the year.

In overseas markets, we strengthened relationships with our well-established partners, especially in Asia and Oceania, promoting an integrated beverages group strategy.

In May Kirin Holdings Co., Ltd. acquired shares in San Miguel Brewery, Inc., the dominant market leader in the Philippines, and made it an affiliated company. In December, San Miguel Brewery concluded an agreement to purchase all shares of San Miguel Brewing International Ltd., the company responsible for San Miguel Corporation's overseas beer business, from San Miguel Corporation. These acquisitions resulted in our establishing invaluable operating bases in Asia for the Kirin Group.

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In October Lion Nathan Ltd. was made a wholly owned subsidiary to promote our integrated beverages group strategy in Oceania. At the same time, Lion Nathan and National Foods Ltd. were consolidated under Kirin Holdings (Australia) Pty Ltd, the name of which was then changed to Lion Nathan National Foods Pty Ltd, as our holding company in Australia effective October 21. Through utilization of the management capabilities of Lion Nathan National Foods, we pursue organic growth of these companies and create mutual synergies.

Consolidated sales for fiscal 2009 declined slightly due to foreign exchange effects despite good progress in the Soft Drinks and Food Business in Australia and inclusion of Kyowa Hakko Kirin Co., Ltd. as a consolidated subsidiary. Operating income also declined due to foreign currency translations, albeit good progress was seen in the Alcohol Beverages Business in Japan and overseas. Ordinary income increased considerably with the foreign currency translation gains. The net income for the fiscal year declined due to gain on change in equity recorded on the share exchange in the second quarter of 2008.

Consolidated sales	¥2,278.4 billion	(down 1.1% compared to the previous term)
Consolidated operating income	¥128.4 billion	(down 12.0% compared to the previous term)
Consolidated ordinary income	¥144.6 billion	(up 40.3% compared to the previous term)
Consolidated net income	¥49.1 billion	(down 38.7% compared to the previous term)

#### Alcohol Beverages Business Division

In the domestic alcoholic beverages market, Kirin Brewery has received a high level of customer support during the year through initiatives focusing on three strategic priorities: strengthening core brands, improving our response to consumer health consciousness, and increasing overall demand.

In the beer market, strong sales of Kirin Ichiban Shibori continued following its re-launch in March 2009. In the happo-shu category our Tanrei series enjoyed growing customer support in the on-premise market, as well as its traditional retail market. In the fast-growing new genre market, the dominant brand Kirin Nodogoshi Nama was able to achieve its largest annual sales volume since it was first introduced, due to heightened price sensitivity among consumers keeping a close eye on their purse strings. In this market of new genre products, in addition to the core brand, the new brands Kirin Koku no Jikan and Kirin Hoppu no Shinjitsu were introduced in an effort to increase overall demand.

Furthermore, as a product responding to the heightened social awareness calling for zero tolerance of drunk driving, Kirin FREE, a non-alcohol beer-taste beverage launched in April, has grown in popularity, greatly surpassing the original forecast, and became a major hit product in 2009, creating a market of new value, namely for 0.00% alcohol beer-taste beverages.

In the rapidly growing RTD\* market, we have strengthened the Hyoketsu series, and launched Kirin Cola Shock with the aim of rejuvenating the market as well as expanding overall demand. In the shochu business, we focused sales efforts on the Hakusui series as the core product. In the western liquor business, a new alliance was formed with Diageo in England, enabling us to include the leading brands of the world in our product lineup as an all-around alcohol business.

\*RTD: an acronym for "Ready to Drink"; RTD products are premixed low alcohol beverages that can be drunk straight from the can or bottle.

As part of pursuing a lean management approach under the Kirin Group medium-term business plan for 2010-2012, which was announced on October 26, we have decided to rationalize and optimize our manufacturing capacity utilization by reorganizing two plants, the Tochigi Plant (Takanezawa-machi, Shioya-gun, Tochigi Prefecture) and the Hokuriku Plant (Hakusan-shi, Ishikawa Prefecture). Both plants are scheduled to cease production after the end of the peak season period of 2010. The RTD manufacturing capabilities at the Tochigi Plant and other useful functions will be transferred to other existing plants.

At Mercian Corporation, we strove to solidify our position as the market leader in the wine business by strengthening the Mercian brand, and we made progress in adopting "value proposal marketing" by liaising with Kirin Brewery and Kirin Merchandising Co., Ltd. Sales of wines from mid-range to high-end for restaurants were negatively affected by factors stemming from consumers not dining out due to a heightened sense of frugality. Conversely, consumers are purchasing more day-to-day table wines in the less expensive price range, which has led to an expansion of the household market and as such we recorded healthy sales in inexpensive table wines. Improved profitability was sought by reducing the cost structure of the wine business.

In our overseas alcohol beverages business, we continued to pursue our strategy of focusing on enhancing our business foundation in Asia and Oceania. At Lion Nathan in Oceania, although the core beer business in Australia continued to perform strongly supported by the shift to premium beers as well as efforts made by the consolidated subsidiary, J. Boag & Son, foreign currency translations had negative impact on the sales on a Japanese yen basis. In China, the business environment was somber, especially along the coastal regions, and intense price competition impacted the sales environment negatively. However we continued efforts to bolster sales, particularly in the three regions of the Yangtze Delta, the Pearl River Delta and Northeast China, to solidify the foundation of our existing business.

Consolidated sales from Alcohol Beverages Business ¥1,097.6 billion (down 7.1% compared to the previous term)

Consolidated operating income from Alcohol Beverages Business ¥102.8 billion (down 6.5% compared to the previous term)

#### Soft Drinks and Foods Business Division

In the domestic soft drinks and food market, Kirin Beverage Co., Ltd. tenaciously continued initiatives to reform our earning structure through cost reductions and other measures, and focused on increasing the value of leading brands such as Kirin Gogono-Kocha and Kirin FIRE. August marked the 10th anniversary of Kirin FIRE and in addition to the flagship Kirin FIRE Hikitate Bito, we enhanced our product lineup by launching the new Kirin FIRE Hi no Megumi. In the black tea beverages, we continued a range of value proposals to promote our market-leading Kirin Gogono-Kocha series, including revamping the chilled drink Kirin Gogono-Kocha Bito Straight Tea, and pursued initiatives to further strengthen our top black tea beverage brand and secure customer support. In the green tea beverages and mineral water, the economic slowdown sharply impacted sales since frugally-minded consumers reduced spending in this category considerably.

At Kirin Kyowa Foods Co., Ltd., which was established April 1 by integrating Kirin Food-Tech Co., Ltd. and Kyowa Hakko Food Specialties Co., Ltd., both specializing in seasoning and flavoring, we endeavored to improve the foundation of the business of proposing and offering food ingredients in pursuit of taste and health, utilizing fermentation technologies representing the inherent strengths of both companies.

In the overseas soft drinks and food business, Kirin Beverage developed new products in Thailand and Vietnam, responding to the local needs of the respective markets, thereby further expanding the business. In China where the Kirin Gogono-Kocha and Kirin FIRE brands are the focus of our product deployments, Kirin (China) Investment Co., Ltd. decided in December to make a capital investment in Shanghai JinJiang Kirin Beverages and Food Co., Ltd., which handles sales in Shanghai and other major cities in Eastern China, in order to promote an integrated beverages group strategy in China.

At National Foods, weak consumer sentiment as a result of the economic slowdown caused a shift to lower-price products in milk, the core product. On the other hand, raw dairy input costs, which had risen sharply from the second half of 2007, eased, leading to improved profitability. Also, overhead cost reduction measures arising from integration of Dairy Farmers have been progressing steadily since its 100% acquisition by National Foods in November 2008.



Consolidated sales from Soft Drinks and Foods Business ¥735.0 billion (up 2.6% compared to the previous term)

Consolidated operating income from Soft Drinks and Foods Business ¥7.0 billion (up 10.4% compared to the previous term)

#### Pharmaceuticals Business Division

At Kyowa Hakko Kirin Co., Ltd., sales of anti-anemia medicines NESP and ESPO trended favorably helped by the impact of NESP Injection Plastic Syringe, which was launched in May, while sales of the anti-allergic medicine ALLELOCK and anti-allergic eye drop Patanol maintained good levels in part due to a much higher level of pollen in the air than normal in Japan. The secondary hyperparathyroidism treatment REGPARA TABLETS, which were launched in January 2008 to combat complications arising from blood dialysis, also witnessed further acceptance in the market. In December we started marketing the ulcerative colitis medicine ASACOL together with Zeria Pharmaceutical Co., Ltd.

With respect to R&D, we also made progress in the discovery of new candidate drugs both in Japan and overseas: filing in Japan for additional applications of anti-anemia medicine NESP and starting Phase II clinical trials in Japan for KW-0761, a humanized monoclonal antibody with uniquely developed immune technology.

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Consolidated sales from Pharmaceuticals Business	¥206.7 billion	(up 20.5% compared to the previous term)
Consolidated operating income from Pharmaceuticals Business	¥34.3 billion	(up 21.8% compared to the previous term)

#### Other Businesses Divisions

In the Biochemical business operated by Kyowa Hakko Bio Co., Ltd., sales of amino acids for overseas medical and industrial use were affected negatively by the global economic recession and unfavorable foreign currency exchange rates. In the area of the supplements-related healthcare business in Japan, synergy effects are beginning to show through raw material supply transactions with group companies.

The Chemicals business operated by Kyowa Hakko Chemical Co., Ltd. was affected by the sharp plunge in demand due to the worsening global economy and a sensitive market for these products. In the fourth quarter, however, some regions such as China saw a recovery trend, while signs of a recovery in product markets were also apparent.

In the Agribio business, a tough market created by global economic stagnation continued in Europe and other regions, while in Japan we continued to pursue cost reduction measures.

A basic agreement was reached in consolidating the raw alcohol business of Mercian and Kyowa Hakko Bio to a newly established joint company, Daiichi Alcohol Co., Ltd., while Mercian's industrial-use alcohol and fermented seasoning businesses will be integrated into Kirin Kyowa Foods Co., Ltd. This consolidation and integration will enable us to further strengthen the foundations of each business and to generate group synergies.

Consolidated sales from Other Businesses	¥238.9 billion	(up 2.2% compared to the previous term)
Consolidated operating income from Other Businesses	¥3.8 billion	(down 78.9% compared to the previous term)

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## (2) Future challenges for Kirin Group

2010 is the first year of Kirin Group's 2010-2012 three-year medium-term business plan, and also marks the second stage in realizing the aims of Kirin Group Vision 2015 ("KV2015"), Kirin's long-term management vision for the period through to 2015.

In 2010, management will pursue further 'qualitative expansion' by focusing on generating Group synergies and realizing lean management, with the aim of improving profitability and asset efficiency. At the same time we will build further momentum for the KIRIN brand by continuing to develop products that inspire customers with new value propositions, and pursuing CSR initiatives that build public trust in Kirin Group as a corporate entity.

### Outline of 2010 Business Plan

#### Basic management strategies

Increase Group enterprise value by realizing growth and synergies at operating companies

1. Pursue an integrated beverages group strategy
2. Accelerate growth in pharmaceuticals business
3. Develop the health food and functional food business
4. Generate growth through Group synergies
5. Realize lean management by eliminating strain, waste and irregularity

Pursue a financial strategy that supports higher enterprise value

Engage in CSR activities that enhance Kirin's coexistence with society

### Alcoholic Beverages Business

- In the domestic alcohol beverages market, our efforts at Kirin Brewery will continue to be focused on three strategic priorities with a long-term outlook in order to foster No. 1 leading brands in the categories of beer/happo-shu/new genre products, and RTDs: strengthening core brands, improving our response to consumer health consciousness, and increasing overall demand. In strengthening the core brands, we will strive to enhance brand value by improving the taste and emphasizing the individual product value of Kirin Ichiban Shibori, Kirin Lager, Kirin Tanrei, and Kirin Nodogoshi Nama.

In improving our response to consumer health consciousness, we aim to develop a wide variety of products by setting the Tanrei Green Label as the core brand. In increasing overall demand, we will introduce Kirin 1000, an epoch-making new product in the new genre market, as a value-proposing product by employing the "evidence marketing"\* technique that was used for Kirin FREE. In the RTDs segment, which has the largest future growth potential, we will promote, as well as the Hyoketsu brand, entirely new concept products, in addition to conventional products centered on fruit juices. Furthermore, we will expand our western liquor lineup, including Diageo brands, in an effort to greatly enhance our appeal as an integrated alcohol beverages enterprise. Kirin Brewery is now in a position to collaborate with group companies like Mercian and Kirin Beverage in every value chain in order to create synergies, while reforming cost structures to improve profitability.

\* A marketing technique that promotes products by providing customers with easy-to-understand evidence and product value that is supported by technological or other forms of proof.

- A first-ever Groupwide initiative, "KIRIN Health Initiative" will be established and under a newly created "KIRIN Plus-i" brand based on the concept of "taste that makes you smile," "happiness" and "health," we will offer beverages/foods and other products that provide new value in the area of food and health, suited to customers' personal health needs. Under this initiative, Kirin Brewery will launch nationwide in April, "Kirin Yasumuhi no Alc.0.00%," a non-alcohol beer-taste beverage that recommends a day of rest for one's liver (a non-alcohol day).
  - At Mercian, all management resources will continue to be concentrated into the wine business in order to solidify our position as the market leader in the industry. We will also work to enhance profitability, and aim to create group synergy through even greater collaboration with Kirin Brewery and Kirin Merchandising.
  - In our overseas alcohol beverages business, Lion Nathan will continue to shift our product mix into the premium beer category by improving value to the customers.
  - In China, we will roll out initiatives to establish a unique business model with an integrated beverages group strategy as the main pillar, focusing on the regions we are currently operating in: the Yangtze Delta, the Pearl River Delta, and the three Northeast China provinces.
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#### Soft Drinks and Foods Business Division

- In our domestic soft drinks and food operations, Kirin Beverage will put further effort into strong brand creation as part of its initiatives to restructure competitiveness and reform earning structure. Towards restructuring competitiveness, Kirin Beverage will implement a selection and concentration strategy, review resource allocation and enter new categories. We are aiming to establish a value proposal marketing, rigorously reviewing our cost structure and developing a robust business structure that can be profitable even in a harsh operating environment. In China, we will promote an integrated beverages group strategy to improve earnings.
- As part of "KIRIN Health Initiative," Kirin Beverage, Koiwai Dairy Products Co., Ltd. and Kirin Kyowa Foods will launch products in April, under a new Groupwide brand, "KIRIN Plus-i," that provide new value in the area of food and health, suited to customers' personal health needs.
- At Kirin Kyowa Foods, we will endeavor to improve our value proposal marketing and development structure in order to promote distinctive products to increase earnings. We will continue to solidify the business infrastructure in the wake of integration of the industrial-use alcohol and fermented seasoning businesses and maximize group synergies.
- In the overseas market, we will strengthen regular brands at National Foods and aim to enter new growth categories as well. Further integration with Dairy Farmers will be pursued to create more synergistic effects in the process.

#### Pharmaceuticals Business Division

- In the Pharmaceuticals business operated by Kyowa Hakko Kirin, with anticipated medicine price revision, we will aim to strengthen our main products such as those focusing on kidney conditions, as well as market new products by establishing a more efficient and effective business system.
  - In R&D, we regard cancer, kidney and immunity/infectious diseases as our priority areas, and will follow through with clinical trials in both Japan and overseas according to a specific timeline and also aggressively pursue licensing activities.
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#### Other Businesses Divisions

- In the Biochemical business operated by Kyowa Hakko Bio, we will strive to expand the sales of value-added amino acids in the areas of medicine and healthcare, and also to streamline our overseas sales and marketing structure.
- In the Chemicals business operated by Kyowa Hakko Chemical, we will focus on strengthening functional product lines which are environmentally considerate, thereby building a business model less susceptible to economic fluctuations.

#### CSR Initiatives

CSR is an important management issue within Kirin Group. We are striving to incorporate the development of a sustainable society into our business operations—CSR through business—while also pursuing CSR as a corporate citizen.

In CSR through Business, we are undertaking further initiatives to become a low-carbon corporate group. We are reducing our use of water and other resources, reducing energy consumption at factories by converting machinery to alternative fuels, and targeting a 35% reduction in CO2 emissions from manufacturing, distribution and office activities by 2015 compared to that of 1990. We are also developing products that have a lower environmental burden, and across the procurement-to-consumption value chain of the entire Group, both in Japan and in our international operations, we aim to halve total CO2 emissions by 2050 compared to 1990 levels.

As a Group, we are actively involved in initiatives to resolve social issues. For example, with the launch of Kirin FREE, a 0.00% alcohol beer-taste beverage, we are helping to eliminate drunk driving, while other measures include CSR-based procurement and initiatives for diversity in human resources. We have advanced risk management and compliance systems in place within the Group, and we are implementing a range of measures to strengthen systems for group-wide quality control and environmental management.

With regard to CSR as a corporate citizen, we have supported Japan's national soccer team continuously for more than 30 years, with the focus this year on the World Cup in June. We support a number of initiatives to allow children to experience the joy of sport,

including our nationwide Kirin Soccer Field training program. We also contribute to society through forestry and watershed management and employee volunteer activities.

Kirin's initiatives under CSR as a corporate citizen encompass activities beyond the scope of Kirin's actual business operations, and include a wide range of social contribution activities connected with the environment, sports, and other areas.

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

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

### (3) State of assets and income of Kirin Group

Item	168th term (Jan. 1, 2006 – Dec. 31, 2006)	169th term (Jan. 1, 2007 – Dec. 31, 2007)	170th term (Jan. 1, 2008 – Dec. 31, 2008)	171st term (Jan. 1, 2009 – Dec. 31, 2009)
Sales	¥1,665,946 million	¥1,801,164 million	¥2,303,569 million	¥2,278,473 million
Operating income	¥116,358 million	¥120,608 million	¥145,977 million	¥128,435 million
Ordinary income	¥120,865 million	¥123,389 million	¥103,065 million	¥144,614 million
Net income	¥53,512 million	¥66,713 million	¥80,182 million	¥49,172 million
Net income per share	¥55.98	¥69.86	¥84.01	¥51.54
Net assets	¥1,043,724 million	¥1,099,555 million	¥1,149,998 million	¥1,198,869 million
Net assets per share	¥1,040.44	¥1,104.83	¥972.19	¥1,029.35
Total assets	¥1,963,586 million	¥2,469,667 million	¥2,619,623 million	¥2,861,194 million

## Consolidated sales

## Sales by business division

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

Sales	168th term	169th term	170th term	171st term
Division	(Jan. 1, 2006 – Dec. 31, 2006)	(Jan. 1, 2007 – Dec. 31, 2007)	(Jan. 1, 2008 – Dec. 31, 2008)	(Jan. 1, 2009 – Dec. 31, 2009)
Alcohol Beverages Business	¥1,099,308 million	¥1,189,478 million	¥1,181,509 million	¥1,097,694 million
Soft Drinks Business	¥392,729 million	–	–	–
Soft Drinks and Foods Business	–	¥474,560 million	¥716,688 million	¥735,032 million
Pharmaceuticals Business	¥67,245 million	¥69,909 million	¥171,517 million	¥206,760 million
Other Businesses	¥106,664 million	¥67,216 million	¥233,853 million	¥238,986 million
Total	¥1,665,946 million	¥1,801,164 million	¥2,303,569 million	¥2,278,473 million

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## Operating Income

Division	168th term (Jan. 1, 2006 – Dec. 31, 2006)	169th term (Jan. 1, 2007 – Dec. 31, 2007)	170th term (Jan. 1, 2008 – Dec. 31, 2008)	171st term (Jan. 1, 2009 – Dec. 31, 2009)
Alcohol Beverages Business	¥86,510 million	¥96,563 million	¥109,989 million	¥102,800 million
Soft Drinks Business	¥19,714 million	–	–	–
Soft Drinks and Foods Business	–	¥16,030 million	¥6,431 million	¥7,099 million
Pharmaceuticals Business	¥12,044 million	¥13,001 million	¥28,200 million	¥34,334 million
Other Businesses	¥561 million	¥6,329 million	¥18,280 million	¥3,854 million
Subtotal	¥118,830 million	¥131,924 million	¥162,901 million	¥148,089 million
Elimination and unallocatable costs	(¥2,472) million	(¥11,316) million	(¥16,924) million	(¥19,654) million
Total	¥116,358 million	¥120,608 million	¥145,977 million	¥128,435 million

(Notes) 1. Sales of each business division indicate the sales to unaffiliated customers.

2. Due to changes in our method of categorizing operations, engineering, logistics businesses, etc. were shifted from its Other Businesses Divisions to its Alcohol Beverages Business Division from the 169th term. Sales and operating income by business division for the 168th term are presented according to such a new business segment classification method. Previously, the Company's indirect department costs were allocated to each business division based on sales criteria. After the Company's transition to a pure holding company structure, however, they were included in unallocatable costs as group management costs arising at the Company that is the Group's holding company.

3. Due to changes in our method of categorizing operations, foods, health foods and functional foods businesses etc. previously included in the Other Businesses Divisions were shifted to the Soft Drinks Business Division and its division name was changed to the Soft Drinks and Foods Business Division. Sales and operating income by business division for the 169th term are presented according to such a new business segment classification method.

(4) Kirin Group plant and equipment investment

Consolidated plant and equipment investment for the term under review amounted to ¥110.2 billion on a payment basis, a decrease of ¥15.8 billion compared to the previous term.

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

1) Major facilities completed during the term under review

Business Division	Company Name	Details of the plant and equipment investment
Soft Drinks and Foods Business	Kirin Beverage Co., Ltd.	Kanto Metropolis Area Div. and Others – Renewal and installation of vending machines
Other Businesses	Kirin Holdings Company, Limited	Former Amagasaki Plant Site – Commercial complex (COCOE) construction

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

Business Division	Company Name	Details of the plant and equipment investment
Alcohol Beverages Business	Kirin Brewery Co., Ltd.	Shiga Plant – Partial demolition and construction of brewing facilities of beer and happo-shu, etc. Yokohama Plant – Improvement of brewing facilities of beer and happo-shu and construction of offices, etc.
	Lion Nathan Ltd.	Auckland Plant – Construction of brewing facilities of beer, etc.
Soft Drinks and Foods Business	Kirin Beverage Co., Ltd.	Kanto Metropolis Area Div. and Others – Renewal and installation of vending machines
Pharmaceuticals Business	Kyowa Hakko Kirin Co., Ltd.	Bio Process Research and Development Laboratories Expansion of Pharmaceutical production facility Tokyo Research Park Construction of research building

## (5) Kirin Group financing

The aggregate amount of loans payable, including bonds, was ¥897.4 billion as of the end of the fiscal year under review. This was an increase of ¥233.5 billion compared to the end of the previous term.

Main financing for the fiscal year under review was a total amount of ¥100.0 billion through the issuance of unsecured straight bonds and ¥150.0 billion in short-term loans from financial institutions. These funds were raised for the change in the status of Lion Nathan Ltd. to a wholly-owned subsidiary.

(The information hereunder is as of December 31, 2009, unless noted otherwise.)

(6) Description of the main businesses of Kirin Group

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

Business Division	Principal Products
Alcohol Beverages	Beer, Happo-shu, New genre, Chu-hi, Cocktail, Shochu, Wine, Liquors, etc.
Soft Drinks and Foods	Soft drinks, dairy products, other foods, etc.
Pharmaceuticals	Prescription medicine

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

(a) Kirin Holdings Company, Limited

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

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

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(b) Major subsidiaries

Business Division	Company Name		Major centers
A l c o h o l Beverages	Kirin Brewery Co., Ltd.	Head Office	Chuo-ku, Tokyo
		Branch Offices	10 Regional Sales & Marketing Divisions including Metropolitan Regional Sales & Marketing Division (Chuo-ku, Tokyo)
		Plants	11 Plants including Yokohama Plant (Yokohama)
		Laboratories	Research Laboratories for Brewing, Research Laboratories for Packaging (Yokohama)
	Mercian Corp.	Head Office	Chuo-ku, Tokyo
		Branch Offices	3 Sales Headquarters including Eastern Japan Sales Headquarters (Chuo-ku, Tokyo)
		Plants	6 Plants including Fujisawa Plant (Fujisawa)
	Kirin (China) Investment Co., Ltd.	Head Office	Shanghai, China

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Business Division	Company Name		Major centers
		Head Office	Chiyoda-ku, Tokyo
		Branch Offices	7 Area Divisions including Kanto Metropolis Area Division (Chiyoda-ku, Tokyo)
Soft Drinks and Foods	Kirin Beverage Co., Ltd.	Plants	Shonan Plant (Samukawa-machi, Koza-gun, Kanagawa), Maizuru Plant (Maizuru)
		Laboratories	Laboratory for New Product Development, Laboratory for Core Technology Development (Yokohama)
		Head Office	Chiyoda-ku, Tokyo
		Branch Offices	17 Branches including East-Tokyo Branch (Chuo-ku, Tokyo)
Pharmaceuticals	Kyowa Hakko Kirin Co., Ltd.	Plants	5 Plants including Fuji Plant (Nagaizumi-cho, Suntou-gun, Shizuoka) and Takasaki Plant (Takasaki)
		Laboratories	6 Laboratories including Tokyo Research Park (Machida, Tokyo) and Fuji Research Park (Nagaizumi-cho, Suntou-gun, Shizuoka)
Other	Lion Nathan National Foods Pty Ltd	Head Office	Sydney, New South Wales, Australia

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

(8) Employees of Kirin Group

Division	Number of employees (persons)
Alcohol Beverages Business	12,499 [4,113]
Soft Drinks and Foods Business	11,763 [1,903]
Pharmaceuticals Business	4,718 [ 67]
Other Businesses	5,504 [ 309]
Administration	666 [ 19]
Total	35,150 [6,411]

- (Notes)
1. The number of employees indicates the number of employees currently on duty.
  2. The yearly average number of temporary employees is separately indicated in brackets.
  3. The number of the Company's employees is 276 (excluding employees seconded by the Company and including employees seconded to the Company).
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## (9) Significant subsidiaries, etc.

## (a) Significant subsidiaries

Company Name	Location	Capital	Ratio of voting rights held by the Company	Description of principal businesses
Kirin Brewery Co., Ltd.	Chuo-ku, Tokyo	¥30,000 million	100%	Production and sale of alcohol beverages
Mercian Corp.	Chuo-ku, Tokyo	¥20,972 million	50.8%	Import, production and sale of alcohol beverages
Kirin (China) Investment Co., Ltd.	Shanghai, China	U.S.\$180,000 thousand	100%	Management of beer business in China
Kirin Beverage Co., Ltd.	Chiyoda-ku, Tokyo	¥8,416 million	100%	Production and sale of soft drinks
Kirin Kyowa Foods Company, Limited	Shinagawa-ku, Tokyo	¥3,000 million	*100%	Production and sale of seasonings, etc.
Kyowa Hakko Kirin Co., Ltd.	Chiyoda-ku, Tokyo	¥26,745 million	51.2%	Production and sale of prescription medicine
Lion Nathan National Foods Pty Ltd	Sydney, New South Wales, Australia	A\$6,061 million	100%	Management of business in Oceania

(Note) The ratio of voting rights marked with an asterisk (\*) includes those held by the subsidiaries.



## (b) Significant affiliated companies

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

(10) Status of significant business transfers from and to Kirin Group and the acquisition or disposal of shares of other companies

(a) Kyowa Hakko Food Specialties Co., Ltd. effected an absorption-type merger with Kirin Food-Tech Company Limited and changed its trade name to Kirin Kyowa Foods Company, Limited.

(b) The Company acquired a share of 48.4% of outstanding shares in San Miguel Brewery, Inc. through tender offer and private transaction with San Miguel Corporation. In association with this, the entire share of 19.9% of outstanding shares in San Miguel Corporation which the Company held has been transferred. Please note that San Miguel Brewery, Inc. has signed a share purchase agreement for the acquisition of San Miguel Brewing International Limited, a wholly owned subsidiary of San Miguel Corporation.

(c) The Company acquired, through Kirin Holdings (Australia) Pty Ltd (now Lion Nathan National Foods Pty Ltd), 53.9% of outstanding shares issued of Lion Nathan Ltd., a subsidiary of Kirin Holdings (Australia), making it a wholly owned subsidiary.\* This resulted in the integration of Lion Nathan Ltd. and National Foods Limited under the holding company Lion Nathan National Foods Pty Ltd.

\* As per a scheme of arrangement whereby all shares may be acquired after meeting certain requirements.

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

Lender	Outstanding amount of loan
Syndicated loan *	¥238,887 million
Mitsubishi UFJ Trust and Banking Corporation	¥87,128 million

(Note) Syndicated loan \* with The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the sole agent bank.

2. State of shares

(1) Total number of shares authorized to be issued	1,732,026,000 shares
(2) Total number of issued shares	984,508,387 shares (No change from the end of the previous term)
(3) Number of shareholders	126,808 persons (Decreased by 6,828 persons from the end of the previous term)

(4) Major shareholders (top ten)

Name of shareholder	Number of shares held by the shareholder (thousand shares)	Ratio of shares held (%)
Japan Trustee Service Bank, Ltd. (Trust account )	48,684	5.1
The Master Trust Bank of Japan, Ltd. (Trust account)	43,884	4.6
Meiji Yasuda Life Insurance Company	43,697	4.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	35,085	3.7

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Isono Shokai, Limited	23,272	2.4
Japan Trustee Service Bank, Ltd. (Trust account 4)	17,338	1.8
The Mellon Bank, N.A. Treaty Client Omnibus	13,507	1.4
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust for Mitsubishi UFJ Trust and Banking Corporation)	11,621	1.2
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,500	1.2
Mitsubishi Corporation (Note)	11,180	1.2

Ratio of shares held excludes treasury stock (31,166 thousand shares).

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

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

Title	Name	Position and important positions concurrently held at other companies
President (Representative Director)	Kazuyasu Kato	–
Executive Vice President (Representative Director)	Kazuhiro Sato	Responsible for Group Personnel & General affairs Strategy, Legal, Internal Control and Internal Audit
*Executive Vice President (Representative Director)	Senji Miyake	Responsible for Integrated Beverages Group Strategy
Managing Director	Etsuji Tawada	Responsible for Group R&D and Group Information Strategy
Managing Director	Y o s h i h a r u Furumoto	Responsible for Group Financial Strategy and PR & IR Strategy and Director of Lion Nathan National Foods Pty Ltd

*Managing Director	Yuji Owada	Responsible for Group Production and Logistics Strategy, CSR & Risk Management & Compliance and Director of San Miguel Brewery, Inc.
Director	Yuzuru Matsuda	President & CEO of Kyowa Hakko Kirin Co., Ltd.
Director	Satoru Kishi	Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Director	Akira Gemma	Advisor of Shiseido Co., Ltd.
Standing Corporate Auditor	Hitoshi Oshima	Corporate Auditor of Kirin Brewery Co., Ltd. and Mercian Corp.
Standing Corporate Auditor	Tetsuo Iwasa	Corporate Auditor of Kirin Beverage Co., Ltd. and Kirin Business Expert Co., Ltd.
Corporate Auditor	Toyoshi Nakano	Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation
Title	Name	Position and important positions concurrently held at other companies
Corporate Auditor	Teruo Ozaki	President of Teruo Ozaki & Co. (Certified Public Accountant) Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Corporate Auditor	Kazuo Tezuka	Attorney at Kaneko & Iwamatsu

- (Notes) 1. Directors marked with an asterisk (\*) assumed office as of March 26, 2009.
2. Mr. Satoru Kishi and Mr. Akira Gemma are outside Directors as provided for in Article 2, Section 15 of the Corporation Law.
3. Corporate Auditors Mr. Toyoshi Nakano, Mr. Teruo Ozaki and Mr. Kazuo Tezuka are outside Corporate Auditors as provided for in Article 2, Section 16 of the Corporation Law.
4. Business relations involving cash loans, etc. exist between the Company and The Bank of Tokyo-Mitsubishi UFJ, Ltd., where Director Mr. Satoru Kishi and Corporate Auditor Mr. Teruo Ozaki both hold important positions concurrently.
5. Business relations involving cash loans, etc. exist between the Company and Mitsubishi UFJ Trust and Banking Corporation, where Corporate Auditor Mr. Toyoshi Nakano holds an important position concurrently.
6. Corporate Auditor Mr. Teruo Ozaki is a Certified Public Accountant and has a wealth of expertise in finance and accounting.
7. Directors listed hereunder retired as of March 26, 2009.

Chairman Koichiro Aramaki  
Koichi Matsuzawa

Managing Director (Representative  
Director)

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## (2) Remuneration to Directors and Corporate Auditors for the fiscal year under review

	Directors		Corporate Auditors		Total	
	Number of persons	Amount (millions of yen)	Number of persons	Amount (millions of yen)	Number of persons	Amount (millions of yen)
Annual remuneration monthly paid	10 (2)	365 (23)	5 (3)	104 (35)	15 (5)	470 (58)
Bonus	8 (2)	158 (1)	5 (3)	16 (3)	13 (5)	175 (4)
Total	–	523 (24)	–	121 (38)	–	645 (63)

- (Notes) 1. Nine (9) Directors and five (5) Corporate Auditors remain in their positions as of December 31, 2009. The total amount above includes remuneration to two (2) Directors who retired from office as of March 26, 2009.
- The numbers in brackets indicate remuneration for outside Directors and Corporate Auditors included in the number above.
  - The remuneration limit for Directors is ¥50 million per month (Resolved at the 164th Ordinary General Meeting of Shareholders on March 28, 2003).
  - The remuneration limit for Corporate Auditors is ¥9 million per month (Resolved at the 167th Ordinary General Meeting of Shareholders on March 30, 2006).
  - The above bonus for Directors and Corporate Auditors is an amount expected to be paid on condition that the original proposition No. 4 of the 171st Ordinary General Meeting of Shareholders is approved.
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(3) Primary activities of outside Directors and outside Corporate Auditors during the fiscal year

Title	Name	Attendance at Board of Directors meetings	Attendance at Board of Corporate Auditors meetings	Statements Contribution
Director	Satoru Kishi	6 times of 24 meetings	–	He was president at a bank. He made statements from his experience and perspective as a management executive.
	Akira Gemma	23 times of 24 meetings	–	He was president at a consumer product manufacturing company. He made statements from his experience and perspective as a management executive.
Corporate Auditor	T o y o s h i Nakano	20 times of 24 meetings	13 times of 14 meetings	He was president at a trust bank. He made statements from his experience and perspective as a management executive.
	Teruo Ozaki	22 times of 24 meetings	13 times of 14 meetings	He made statements primarily from his professional perspective as a CPA.
	K a z u o Tezuka	23 times of 24 meetings	13 times of 14 meetings	He made statements primarily from his professional perspective as an attorney.

4. Status of Independent Auditor

(1) Name of Independent Auditor

KPMG AZSA & Co.

(2) Remuneration to the Independent Auditor during the fiscal year under review

1) Total remuneration paid by the Company to the Independent Auditor for audit certification in accordance with Article 2, Paragraph 1 of the Certified Public Accountants Law	¥91 million
2) Total remuneration paid by the Company to the Independent Auditor for services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law	¥131 million
Total audit remuneration paid by the Company to the Independent Auditor	¥223 million

(Notes) 1. The audit agreement between the Independent Auditor and the Company does not separately stipulate audit remunerations based on the Corporation Law or the Financial Instruments and Exchange Law. Hence, the remuneration in 1) above does not separate these two types of payment.

2. The remunerations described in 2) above are payments for duties of the advisory service concerning internal control related to financial reporting, etc.

Total amount and other property benefits  
paid by the Company and its subsidiaries ¥385 million

(Note) Of the significant subsidiaries of the Company, four (4) companies including Kyowa Hakko Kirin Co., Ltd. and Mercian Corporation are subject to audits of accounts (limited to audits stipulated in the Corporation Law or the Financial Instruments and Exchange Law (including similar foreign laws)) by a certified public accountant or incorporated accounting firm (including overseas auditors possessing similar qualifications) other than the Independent Auditor of the Company.

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

If the Company's Board of Auditors determines that any of the Sections of Article 340, Paragraph 1 of the Corporation Law applies with respect to the Independent Auditor, it shall dismiss the Independent Auditor. Such dismissal shall require the unanimous agreement of all the corporate auditors.

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

5. System to secure the appropriate operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In order to secure independence of the employees assigned as support staff as mentioned in the preceding provision, the consent of the Corporate Auditors shall be required

for any decision related to personnel affairs, including the appointment and transfer of such employees. Such employees shall not assume any other appointment related to the operation of business simultaneously.

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

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

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

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

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

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

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

## CONSOLIDATED BALANCE SHEET

(As of December 31, 2009)

	(millions of yen)
Assets	
Current Assets	839,450
Cash	125,558
Notes and accounts receivable, trade	423,835
Merchandise and finished goods	138,937
Work in process	18,319
Raw materials and supplies	41,261
Deferred tax assets	24,146
Other	69,668
Allowance for doubtful accounts	(2,278 )
Fixed Assets	2,021,743
Property, Plant and Equipment	774,274
Buildings and structures	227,563
Machinery, equipment and vehicles	203,502
Land	227,671
Construction in progress	75,235
Other	40,300
Intangible Assets	734,688
Goodwill	605,210
Other	129,477
Investments and Other Assets	512,781
Investment securities	388,677
Long-term loans receivable	9,555
Deferred tax assets	59,096
Other	59,858
Allowance for doubtful accounts	(4,407 )
Total Assets	2,861,194

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Liabilities	
Current Liabilities	794,096
Notes and accounts payable, trade	169,936
Short-term loans payable and long-term debt with current maturities	259,425
Bonds due within one year	12,521
Liquor taxes payable	99,489
Income taxes payable	22,806
Allowance for employees' bonuses	5,713
Allowance for bonuses for directors and corporate auditors	276
Reserve for loss on liquidation of business	2,628
Reserve for repair and maintenance	1,051
Accrued expenses	105,520
Deposits received	23,732
Other	90,992
Long-term Liabilities	868,228
Bonds	324,904
Long-term debt	300,590
Deferred tax liabilities	32,083
Deferred tax liability due to land revaluation	1,471
Employees' pension and retirement benefits	85,279
Retirement benefits for directors and corporate auditors	415
Reserve for repair and maintenance of vending machines	4,545
Reserve for loss on repurchase of land	1,170
Deposits received	73,303
Other	44,464
Total Liabilities	1,662,324

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Net Assets	
Shareholders' Equity	1,003,680
Common stock	102,045
Capital surplus	71,582
Retained earnings	860,538
Treasury stock, at cost	(30,486 )
Valuation and Translation Adjustments	(22,357 )
Net unrealized holding gains on securities	18,279
Deferred gains or losses on hedges	(1,548 )
Land revaluation difference	(4,713 )
Foreign currency translation adjustments	(34,375 )
Subscription Rights to Shares	196
Minority Interests	217,350
Total Net Assets	1,198,869
Total Liabilities and Net Assets	2,861,194

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

CONSOLIDATED STATEMENT OF INCOME

(From January 1, 2009 to December 31, 2009)

	(millions of yen)
Sales	2,278,473
Cost of sales	1,383,821
Gross profit	894,652
Selling, general and administrative expenses	766,216
Operating income	128,435
Non-operating income	
Interest and dividend income	8,147
Equity in earnings of affiliates	8,902
Foreign currency translation gain	18,909
Other	6,656