KIRIN HOLDINGS COMPANY, LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2011
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Consolidated Balance Sheets

Kirin Holdings Company, Limited and Consolidated Subsidiaries

December 31, 2011 and 2010

ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current Assets			
Cash (Notes 3 and 22)	**¥76,218**	¥51,463	**$980,421**
Notes and accounts receivable, trade (Note 3)	**406,448**	415,268	**5,228,299**
Merchandise and finished goods	**112,986**	129,704	**1,453,383**
Work in process	**30,937**	19,917	**397,954**
Raw materials and supplies	**49,059**	38,191	**631,065**
Deferred tax assets (Note 23)	**26,303**	27,598	**338,345**
Other	**62,361**	46,884	**802,173**
Allowance for doubtful accounts	**(6,250)**	(1,939)	**(80,396)**
Total Current Assets	**758,065**	727,088	**9,751,286**
Non-current Assets			
Property, plant and equipment (Notes 3 and 4)			
(Net of accumulated depreciation and accumulated loss from impairment)			
Buildings and structures	**247,950**	227,330	**3,189,477**
Machinery, equipment and vehicles	**233,271**	187,436	**3,000,656**
Land (Note 28)	**201,436**	225,246	**2,591,149**
Construction in progress	**47,529**	61,103	**611,384**
Other	**33,644**	38,117	**432,775**
Total	**763,833**	739,235	**9,825,482**
Intangible Assets			
Goodwill	**713,749**	562,492	**9,181,232**
Other	**102,511**	95,864	**1,318,639**
Total	**816,261**	658,357	**10,499,884**
Investments and Other Assets (Note 3)			
Investment securities (Notes 16, 19 and 24)	**417,619**	428,383	**5,371,996**
Deferred tax assets (Note 23)	**42,234**	45,916	**543,272**
Other (Note 19)	**62,922**	57,645	**809,390**
Allowance for doubtful accounts	**(6,681)**	(7,430)	**(85,940)**
Total	**516,094**	524,515	**6,638,718**
Total Non-current Assets	**2,096,189**	1,922,108	**26,964,098**
Total Assets	**¥2,854,254**	¥2,649,197	**$36,715,384**

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current Liabilities			
Notes and accounts payable, trade	**¥146,955**	¥169,036	**$1,890,339**
Short-term loans payable and long-term debt with current maturities (Note 3)	**85,517**	181,786	**1,100,038**
Commercial papers (Note 3)	**121,989**	10,999	**1,569,192**
Bonds due within one year	**23,111**	3,361	**297,285**
Liquor taxes payable	**91,800**	92,553	**1,180,859**
Income taxes payable	**26,783**	26,544	**344,520**
Allowance for employees' bonuses	**5,552**	6,367	**71,417**
Allowance for bonuses for directors and corporate auditors	**246**	237	**3,164**
Reserve for repairs and maintenance (Note 2 (13))	**-**	601	**-**
Accrued expenses	**92,423**	88,166	**1,188,873**
Other	**121,039**	100,039	**1,556,971**
Total Current Liabilities	**715,419**	679,695	**9,202,714**
Non-current Liabilities			
Bonds (Note 3)	**365,487**	320,070	**4,701,402**
Long-term debt (Note 3)	**468,999**	262,720	**6,032,917**
Deferred tax liabilities (Note 23)	**21,811**	21,468	**280,563**
Deferred tax liability due to land revaluation (Notes 23 and 28)	**1,286**	1,471	**16,542**
Employees' pension and retirement benefits (Note 26)	**65,516**	66,882	**842,757**
Retirement benefits for directors and corporate auditors	**260**	302	**3,344**
Reserve for repairs and maintenance of vending machines (Note 2 (16))	**4,908**	4,738	**63,133**
Reserve for environmental measures (Note 2 (18))	**2,125**	1,172	**27,334**
Reserve for loss on litigation (Note 2 (19))	**22,078**	-	**283,997**
Deposits received (Note 3)	**73,222**	73,663	**941,883**
Other	**65,243**	57,974	**839,246**
Total Non-current Liabilities	**1,090,939**	810,464	**14,033,174**
Total Liabilities	**1,806,359**	1,490,160	**23,235,901**

NET ASSETS			
Shareholders' Equity (Note 20)			
Common stock			
Authorized - 1,732,026,000 shares			
Issued - 965,000,000 shares in 2011 and 2010	**¥102,045**	¥102,045	**$1,312,644**
Capital surplus	**81,417**	81,412	**1,047,298**
Retained earnings	**801,856**	821,519	**10,314,587**
Treasury stock, at cost			
3,268,428 shares in 2011 and 3,010,208 shares in 2010	**(3,271)**	(2,985)	**(42,076)**
Total Shareholders' Equity	**982,048**	1,001,992	**12,632,467**
Accumulated Other Comprehensive Income			
Net unrealized gains on securities	**11,116**	7,252	**142,989**
Deferred gains or losses on hedges	**(279)**	1,285	**(3,588)**
Land revaluation difference (Note 28)	**(2,543)**	(4,713)	**(32,711)**
Foreign currency translation adjustments	**(137,419)**	(43,341)	**(1,767,674)**
Total Accumulated Other Comprehensive Income	**(129,126)**	(39,516)	**(1,660,998)**
Subscription Rights to Shares	**250**	207	**3,215**
Minority Interests	**194,722**	196,352	**2,504,785**
Total Net Assets	**1,047,895**	1,159,036	**13,479,482**
Total Liabilities and Net Assets	**¥2,854,254**	¥2,649,197	**$36,715,384**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Sales	**¥2,071,774**	¥2,177,802	¥2,278,473	**$26,650,038**
Less liquor taxes	**323,375**	342,527	359,743	**4,159,698**
Net sales	**1,748,399**	1,835,274	1,918,730	**22,490,339**
Cost of sales	**895,477**	972,282	1,024,078	**11,518,870**
Gross profit	**852,922**	862,992	894,652	**10,971,468**
Selling, general and administrative expenses (Note 6)	**710,058**	711,380	766,216	**9,133,753**
Operating income	**142,864**	151,612	128,435	**1,837,715**
Non-operating income				
Interest income	**3,880**	1,223	2,573	**49,909**
Dividend income	**4,757**	3,616	5,573	**61,191**
Equity in earnings of affiliates	**10,541**	9,479	8,902	**135,593**
Foreign currency translation gain (Note 8)	**-**	-	18,909	**-**
Other	**3,952**	6,650	6,656	**50,836**
Total	**23,133**	20,970	42,615	**297,568**
Non-operating expenses				
Interest expense	**20,915**	22,047	19,617	**269,037**
Foreign currency translation loss (Note 8)	**-**	4,908	-	**-**
Other	**8,264**	4,656	6,818	**106,303**
Total	**29,179**	31,613	26,435	**375,340**
Ordinary income	**136,818**	140,969	144,614	**1,759,943**
Special income				
Gain on sale of fixed assets	**21,322**	7,950	8,054	**274,273**
Gain on sale of investment securities (Note 16)	**1,619**	14,716	34,631	**20,825**
Gain on sale of shares of subsidiaries and affiliates	**15,399**	122	1,005	**198,083**
Gain on negative goodwill	**-**	7,564	-	**-**
Reversal of removal costs (Note 9)	**-**	6,380	-	**-**
Other	**6,433**	3,114	862	**82,750**
Total	**44,776**	39,850	44,553	**575,971**
Special expenses				
Loss on disposal of fixed assets	**2,651**	6,637	5,997	**34,100**
Loss on sale of fixed assets	**2,738**	1,710	2,007	**35,219**
Loss on impairment (Note 7)	**16,895**	42,885	38,843	**217,326**
Loss on devaluation of investment securities (Note 16)	**24,119**	1,612	8,363	**310,252**
Loss on sale of investment securities (Note 16)	**692**	132	2,038	**8,901**
Loss on sale of shares of subsidiaries and affiliates	**4,396**	6,630	21,661	**56,547**
Loss on reversal of foreign currency translation adjustments due to liquidation of a foreign subsidiary	**-**	7,568	-	**-**
Business restructuring expense (Note 13)	**6,073**	7,155	1,513	**78,119**
Expenses of reserve for loss on liquidation of business (Note 2 (12))	**-**	-	2,628	**-**
Expenses for integration (Note 14)	**-**	-	5,623	**-**
Non-recurring depreciation of fixed assets (Note 2 (8))	**-**	-	3,299	**-**
Loss on devaluation of inventories (Note 2 (6))	**-**	-	942	**-**
Loss on revision of retirement benefit plan (Note 10)	**-**	7,226	-	**-**
Loss on prior period adjustments (Note 11)	**-**	5,300	-	**-**
Loss related to the Great East Japan Earthquake (Note 12)	**19,832**	-	-	**255,106**
Other	**19,276**	13,630	3,635	**247,954**
Total	**96,675**	100,492	96,554	**1,243,568**

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Income before income taxes and minority interests	**84,918**	80,327	92,613	**1,092,333**
Income taxes - current	**56,578**	55,077	57,023	**727,784**
Income taxes - deferred	**5,088**	1,576	(28,108)	**65,448**
Income taxes for prior years - deferred (Note 11)	**-**	1,169	-	**-**
Total	**61,666**	57,823	28,914	**793,233**
Income before minority interests	**23,251**	22,503	63,699	**299,086**
Minority interests	**15,844**	11,109	14,526	**203,807**
Net income	**¥7,407**	¥11,394	¥49,172	**$95,279**

	Yen			U.S. dollars (Note 1)
Earnings per share				
Basic	**¥7.70**	¥11.95	¥51.54	**$0.09**
Diluted	**7.14**	11.93	-	**0.09**
Cash dividends per share applicable to the year	**¥27.00**	¥25.00	¥23.00	**$0.34**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the year ended December 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	**2011**
Income before minority interests	**¥23,251**	**$299,086**
Other comprehensive income (Note 15)		
Net unrealized gains on securities	**2,610**	**33,573**
Deferred gains or losses on hedges	**(1,465)**	**(18,844)**
Land revaluation difference	**109**	**1,402**
Foreign currency translation adjustments	**(86,939)**	**(1,118,330)**
Share of other comprehensive income of associates accounted for by the equity method	**(9,487)**	**(122,034)**
Total other comprehensive income	**(95,172)**	**(1,224,234)**
Comprehensive income (Note 15)	**¥(71,920)**	**$(925,135)**
Comprehensive income attributable to (Note 15)**:**		
Owners of the parent	**¥(84,589)**	**$(1,088,101)**
Minority interests	**12,669**	**162,966**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Shareholders' Equity				
Common stock				
Number of shares (Thousands of shares) (Note 21)				
Balance at beginning of year	**965,000**	984,508	984,508	
Balance at end of year	**965,000**	965,000	984,508	
Amount				
Balance at beginning of year	**¥102,045**	¥102,045	¥102,045	**$1,312,644**
Balance at end of year	**¥102,045**	¥102,045	¥102,045	**$1,312,644**
Capital surplus				
Additional paid-in capital:				
Balance at beginning of year	**¥81,412**	¥71,582	¥71,536	**$1,047,234**
Issuance of new shares	**-**	10,543	-	**-**
Disposal of treasury stock	**5**	27	45	**64**
Retirement of treasury stock	**-**	(28,276)	-	**-**
Transfer to capital surplus from retained earnings	**-**	27,535	-	**-**
Balance at end of year	**¥81,417**	¥81,412	¥71,582	**$1,047,298**
Retained earnings				
Retained earnings at beginning of year	**¥821,519**	¥860,538	¥839,248	**$10,567,519**
Change due to adoption of ASBJ Practical Issues Task Force (PITF) No.18 (Note 2 (26))	**-**	-	(6,355)	**-**
Change of items during the period				
Dividends from surplus (Note 21)	**(25,009)**	(22,878)	(21,949)	**(321,700)**
Net income	**7,407**	11,394	49,172	**95,279**
Change in scope of consolidation	**-**	-	(411)	**-**
Increase due to merger	**-**	-	55	**-**
Prior year adjustments for deferred taxes etc. of foreign affiliates	**-**	-	778	**-**
Reversal of land revaluation difference on sale (Note 28)	**(2,060)**	-	-	**(26,498)**
Transfer to capital surplus from retained earnings	**-**	(27,535)	-	**-**
Total changes of items during the period	**(19,662)**	(39,019)	27,646	**(252,919)**
Retained earnings at end of year	**¥801,856**	¥821,519	¥860,538	**$10,314,587**
Treasury stock				
Balance at beginning of year	**¥(2,985)**	¥(30,486)	¥(29,058)	**$(38,397)**
Acquisition of treasury stock	**(544)**	(881)	(1,625)	**(6,997)**
Disposal of treasury stock	**257**	128	198	**3,305**
Retirement of treasury stock	**-**	28,276	-	**-**
Changes due to share exchange	**-**	(23)	-	**-**
Balance at end of year	**¥(3,271)**	¥(2,985)	¥(30,486)	**$(42,076)**
Total Shareholders' Equity				
Balance at beginning of year	**¥1,001,992**	¥1,003,680	¥983,772	**$12,889,014**
Change due to adoption of ASBJ Practical Issues Task Force (PITF) No.18 (Note 2 (26))	**-**	-	(6,355)	**-**
Changes of items during the period				
Issuance of new shares	**-**	10,543	-	**-**
Dividends from surplus (Note 21)	**(25,009)**	(22,878)	(21,949)	**(321,700)**
Net income	**7,407**	11,394	49,172	**95,279**
Change in scope of consolidation	**-**	-	(411)	**-**
Increase due to merger	**-**	-	55	**-**
Prior year adjustments for deferred taxes etc. of foreign affiliates	**-**	-	778	**-**
Acquisition of treasury stock	**(544)**	(881)	(1,625)	**(6,997)**
Disposal of treasury stock	**262**	156	243	**3,370**
Retirement of treasury stock	**-**	-	-	**-**
Reversal of land revaluation difference on sale (Note 28)	**(2,060)**	-	-	**(26,498)**
Changes due to share exchange	**-**	(23)	-	**-**
Transfer to capital surplus from retained earnings	**-**	-	-	**-**
Total	**(19,944)**	(1,687)	26,264	**(256,547)**
Balance at end of year	**¥982,048**	¥1,001,992	¥1,003,680	**$12,632,467**

Accumulated Other Comprehensive Income				
Net unrealized gains on securities				
Balance at beginning of year	**¥7,252**	¥18,279	¥37,430	**$93,285**
Net changes of items during the period	**3,863**	(11,027)	(19,150)	**49,691**
Balance at end of year	**¥11,116**	¥7,252	¥18,279	**$142,989**
Deferred gains or losses on hedges				
Balance at beginning of year	**¥1,285**	¥(1,548)	¥79	**$16,529**
Net changes of items during the period	**(1,565)**	2,834	(1,628)	**(20,131)**
Balance at end of year	**¥(279)**	¥1,285	¥(1,548)	**$(3,588)**
Land revaluation difference (Note 28)				
Balance at beginning of year	**¥(4,713)**	¥(4,713)	¥(4,713)	**$(60,625)**
Net changes of items during the period	**2,169**	-	-	**27,900**
Balance at end of year	**¥(2,543)**	¥(4,713)	¥(4,713)	**$(32,711)**
Foreign currency translation adjustments				
Balance at beginning of year	**¥(43,341)**	¥(34,375)	¥(88,756)	**$(557,512)**
Net changes of items during the period	**(94,077)**	(8,966)	54,380	**(1,210,149)**
Balance at end of year	**¥(137,419)**	¥(43,341)	¥(34,375)	**$(1,767,674)**
Total Accumulated Other Comprehensive Income				
Balance at beginning of year	**¥(39,516)**	¥(22,357)	¥(55,959)	**$(508,309)**
Change of items during the period				
Net changes of items during the period	**(89,609)**	(17,158)	33,602	**(1,152,675)**
Total	**(89,609)**	(17,158)	33,602	**(1,152,675)**
Balance at end of year	**¥(129,126)**	¥(39,516)	¥(22,357)	**$(1,660,998)**
Subscription Rights to Shares				
Balance at beginning of year	**¥207**	¥196	¥162	**$2,662**
Net changes of items during the period	**42**	11	33	**540**
Balance at end of year	**¥250**	¥207	¥196	**$3,215**
Minority Interests				
Balance at beginning of year	**¥196,352**	¥217,350	¥222,023	**$2,525,752**
Net changes of items during the period	**(1,629)**	(20,997)	(4,672)	**(20,954)**
Balance at end of year	**¥194,722**	¥196,352	¥217,350	**$2,504,785**
Total Net Assets				
Balance at beginning of year	**¥1,159,036**	¥1,198,869	¥1,149,998	**$14,909,133**
Change due to adoption of ASBJ Practical Issues Task Force (PITF) No.18 (Note 2 (26))	**-**	-	(6,355)	**-**
Changes of items during the period				
Issuance of new shares	**-**	10,543	-	**-**
Dividends from surplus (Note 21)	**(25,009)**	(22,878)	(21,949)	**(321,700)**
Net income	**7,407**	11,394	49,172	**95,279**
Change in scope of consolidation	**-**	-	(411)	**-**
Increase due to merger	**-**	-	55	**-**
Prior year adjustments for deferred taxes etc. of foreign affiliates	**-**	-	778	**-**
Acquisition of treasury stock	**(544)**	(881)	(1,625)	**(6,997)**
Disposal of treasury stock	**262**	156	243	**3,370**
Retirement of treasury stock	**-**	-	-	**-**
Reversal of land revaluation difference on sale (Note 28)	**(2,060)**	-	-	**(26,498)**
Changes due to share exchange	**-**	(23)	-	**-**
Transfer to capital surplus from retained earnings	**-**	-	-	**-**
Net changes of items during the period	**(91,197)**	(38,145)	28,963	**(1,173,102)**
Total	**(111,141)**	(39,833)	55,227	**(1,429,650)**
Balance at end of year	**¥1,047,895**	¥1,159,036	¥1,198,869	**$13,479,482**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Cash flows from operating activities				
Income before income taxes and minority interests	**¥84,918**	¥80,327	¥92,613	**$1,092,333**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**103,871**	105,259	105,874	**1,336,133**
Loss on impairment	**16,895**	42,885	38,843	**217,326**
Amortization of goodwill	**38,891**	34,728	21,627	**500,270**
Gain on negative goodwill	**-**	(7,564)	-	**-**
Increase (decrease) in employees' pension and retirement benefits	**1,262**	(17,684)	2,796	**16,233**
Interest and dividend income	**(8,638)**	(4,840)	(8,147)	**(111,113)**
Equity in earnings of affiliates	**(10,541)**	(9,479)	(8,902)	**(135,593)**
Interest expense	**20,915**	22,047	19,617	**269,037**
Foreign currency translation loss (gain)	**(29)**	2,178	(18,339)	**(373)**
Gain on sale of fixed assets	**(21,322)**	(7,950)	(8,054)	**(274,273)**
Gain on sale of investment securities	**(1,619)**	(14,716)	(34,631)	**(20,825)**
Gain on sale of shares of subsidiaries and affiliates	**(15,399)**	-	-	**(198,083)**
Loss on disposal and sale of fixed assets	**4,538**	8,348	8,004	**58,374**
Loss on sale of shares of subsidiaries and affiliates	**4,396**	6,630	21,661	**56,547**
Loss on devaluation of investment securities	**24,119**	1,612	8,363	**310,252**
Decrease (increase) in notes and accounts receivable, trade	**2,622**	4,618	32,096	**33,727**
Decrease (increase) in inventories	**(2,941)**	4,915	22,120	**(37,831)**
Increase (decrease) in notes and accounts payable, trade	**(11,005)**	4,299	(25,577)	**(141,561)**
Increase (decrease) in liquor taxes payable	**(3,310)**	(7,018)	(4,706)	**(42,577)**
Increase (decrease) in consumption taxes payable	**1,955**	(3,092)	(6,140)	**25,147**
Increase (decrease) in deposits received	**8,067**	(11,878)	(4,032)	**103,768**
Other	**27,311**	25,572	414	**351,312**
Sub-total	**264,958**	259,197	255,502	**3,408,258**
Interest and dividends received	**18,895**	14,308	23,465	**243,053**
Interest paid	**(20,808)**	(22,008)	(20,153)	**(267,661)**
Income taxes paid	**(66,253)**	(33,471)	(68,906)	**(852,238)**
Net cash provided by operating activities	**196,792**	218,025	189,907	**2,531,412**
Cash flows from investing activities				
Payment for purchases of property, plant and equipment and intangible assets	**(79,830)**	(106,650)	(110,246)	**(1,026,884)**
Proceeds from sale of property, plant and equipment and intangible assets	**29,405**	23,757	31,705	**378,248**
Payment for purchases of marketable securities and investment securities	**(44,326)**	(86,973)	(137,318)	**(570,182)**
Proceeds from sale and redemption of marketable securities and investment securities	**12,895**	33,174	152,365	**165,873**
Payment for purchases of shares of subsidiaries	**(886)**	(6,659)	(263,034)	**(11,396)**
Payment for acquisition of shares of newly consolidated subsidiaries (Note 22)	**(344,355)**	-	-	**(4,429,572)**
Proceeds from sale of shares of subsidiaries excluded from the scope of consolidation (Note 22)	**70,423**	726	6,061	**905,878**
Other	**(4,983)**	1,706	(1,187)	**(64,098)**
Net cash used in investing activities	**(361,658)**	(140,917)	(321,654)	**(4,652,148)**
Cash flows from financing activities				
Increase (decrease) in short-term loans payable	**(103,193)**	(40,769)	82,675	**(1,327,411)**
Increase (decrease) in commercial paper	**110,989**	10,999	-	**1,427,694**
Proceeds from long-term debt	**283,366**	58,281	147,059	**3,645,047**
Repayment of long-term debt	**(117,586)**	(131,017)	(56,684)	**(1,512,554)**
Proceeds from issuance of bonds	**70,000**	-	100,000	**900,437**
Payment for redemption of bonds	**(5,014)**	(16,071)	(44,273)	**(64,497)**
Payment to minority shareholders for capital reduction of consolidated subsidiaries	**-**	(2,058)	-	**-**
Proceeds from the settlements of derivatives	**-**	12,585	-	**-**
Payment for acquisition of treasury stock	**(544)**	(881)	(1,625)	**(6,997)**
Proceeds from sale of treasury stock	**244**	156	243	**3,138**
Payment for acquisition of treasury stock by a consolidated subsidiary	**(12,582)**	-	(4,747)	**(161,847)**
Cash dividends paid	**(25,009)**	(22,878)	(21,949)	**(321,700)**
Cash dividends paid to minority shareholders	**(6,086)**	(5,183)	(26,645)	**(78,286)**
Other	**(1,368)**	(3,360)	155	**(17,597)**
Net cash provided by (used in) financing activities	**193,214**	(140,197)	174,208	**2,485,387**
Effect of exchange rate fluctuations on cash and cash equivalents	**(2,833)**	(10,412)	9,091	**(36,441)**
Net increase (decrease) in cash and cash equivalents	**25,513**	(73,501)	51,553	**328,183**
Cash and cash equivalents at beginning of year	**45,278**	118,797	68,457	**582,428**
Net increase (decrease) in cash and cash equivalents from new consolidation/de-consolidation of subsidiaries	**-**	(17)	(1,505)	**-**
Net increase (decrease) in cash and cash equivalents from merger of consolidated subsidiaries	**55**	-	292	**707**
Cash and cash equivalents at end of year (Note 22)	**¥70,847**	¥45,278	¥118,797	**$911,332**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Kirin Holdings Company, Limited and Consolidated Subsidiaries

December 31, 2011, 2010 and 2009

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Kirin Holdings Company, Limited (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in their respective countries of domicile. Effective the year ended December 31, 2009, the Company adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18, issued by Accounting Standards Board of Japan (ASBJ) on May 17, 2006). In accordance with PITF No. 18, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either IFRS or accounting principles generally accepted in the United States. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars in the accompanying consolidated financial statements are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on December 31, 2011, which was ¥77.74 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Fractions less than one million yen have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries that are controlled through substantial ownership of majority voting rights or through certain other means. All significant inter-company balances and transactions have been eliminated in the consolidation. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time when the Company acquired control of the respective subsidiaries.

Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over periods mainly between 10 and 20 years for fiscal years 2010 and 2009, and between 15 and 20 years for fiscal year 2011. Any immaterial amounts are fully recognized as expenses as incurred.

The number of consolidated subsidiaries was as follows:

	Number of companies at year-end		
	2011	2010	2009
Consolidated subsidiaries	**263**	259	285

Changes in the scope of consolidation during the year ended December 31, 2011 are as follows:

(a) Due to new establishment, 1 subsidiary of Kirin Beverage Co., Ltd., Kirin Holdings Investments Brasil Participações S.A., and Kirin Holdings USA, Inc. became consolidated subsidiaries.

(b) Due to new acquisition, 11 subsidiaries of Kyowa Hakko Kirin Co., Ltd., Trade Ocean Holdings Sdn. Bhd. and 2 subsidiaries of Trade Ocean Holdings Sdn. Bhd., WONDERFARM Biscuits & Confectionary Sdn. Bhd., and 20 subsidiaries of Kirin Holdings Investments Brasil Participações S.A. became consolidated subsidiaries. Trade Ocean Holdings Sdn. Bhd. is a holding company which has Interfood Shareholding Company and others as subsidiaries, and Kirin Holdings Investments Brasil Participações S.A. is a holding company which has Schincariol Participações e Representações S.A. and others as subsidiaries.

(c) Due to additional investment, 1 subsidiary of LION PTY LTD became a consolidated subsidiary.

(d) Due to sale of shares, 8 subsidiaries of LION PTY LTD, 3 subsidiaries of Kyowa Hakko Kirin Co., Ltd., Kirin Australia Pty. Ltd., 2 subsidiaries of Mercian Corp., and 4 subsidiaries of Kirin Beverage Co., Ltd. were excluded from the consolidation scope.

(e) Due to merger, 11 subsidiaries of Kirin Logistics Co., Ltd., 1 subsidiary of Kyowa Hakko Kirin Co., Ltd., and 4 subsidiaries of LION PTY LTD were excluded from the consolidation scope.
(f) Due to liquidation, 1 subsidiary of Kirin Engineering Co., Ltd. was excluded from the consolidation scope.

Changes in the scope of consolidation during the year ended December 31, 2010 are as follows:
(a) Due to new establishment, Shinshu Beverage Co., Ltd., Kirin Holdings Singapore Pte.Ltd., 2 subsidiaries of Kyowa Hakko Kirin Co., Ltd., 1 subsidiary of Mercian Corporation, and 1 other subsidiary became consolidated subsidiaries.
(b) Due to new acquisition, 1 subsidiary of Lion Nathan National Foods Pty Ltd. became a consolidated subsidiary.
(c) Due to sale of shares, 1 subsidiary of Lion Nathan National Foods Pty Ltd., 1 subsidiary of Mercian Corporation, NAGANO TOMATO Co., Ltd., Kirin Agribio Co. Ltd., Japan Potato Co., Ltd., Kirin Agribio Shanghai Co., Ltd., Kirin Agribio EC B.V. and 22 subsidiaries of Kirin Agribio EC B.V. were excluded from the consolidation scope.
(d) Due to liquidation, 1 subsidiary of Mercian Corporation and Kirin Holdings Netherlands B.V. were excluded from the consolidation scope.
(e) Due to merger, 1 subsidiary of Lion Nathan National Foods Pty Ltd. and 1 subsidiary of Kirin Kyowa Foods Co., Ltd. were excluded from the consolidation scope.

Certain subsidiaries, including Chiyoda Transportation Co., Ltd, are excluded from the scope of consolidation because the effect of the Company's share of their sales, net income or losses, total assets and retained earnings as of and for the year ended 2011 is immaterial. Certain subsidiaries, including Koiwai Shokuhin Corporation, are excluded from the scope of consolidation because the effect of the Company's share of their sales, net income or losses total assets and retained earnings as of and for the year ended 2010 is immaterial.

Fiscal year-ends of the following consolidated subsidiaries are different from that of the Company:

	2011	
Consolidated subsidiaries	**Fiscal year-end**	
LION PTY LTD (formerly Lion Nathan National Foods Pty Ltd.) and its subsidiaries	**September 30**	**(i)**

	2010	
Consolidated subsidiaries	Fiscal year-end	
Lion Nathan National Foods Pty Ltd. and its subsidiaries	September 30	(i)&(ii)

(i) The Company used the financial statements of the companies as of their fiscal year-ends and for the years then ended for consolidation and made necessary adjustments for major transactions between the fiscal year-ends of the consolidated subsidiaries and fiscal year-end of the Company.
(ii) For the purpose of the further promotion of the Company's integrated beverages group strategy in Oceania, the Company made Lion Nathan Ltd. ("LN") a wholly-owned subsidiary in October 2009. At the same time, in order that Lion Nathan National Foods Pty Ltd ("LNNF") manages all Oceania operations on a unified basis, National Foods Limited ("NFL"), LN and their subsidiaries became subsidiaries of LNNF. The Company harmonised the fiscal year-ends of LNNF, NFL and its subsidiaries ("the companies") from December 31 to September 30 from fiscal year 2010.
To prepare the consolidated financial statements, financial statements of the companies as of September 30, 2010 are used because the difference between the Company's and the companies' year-ends does not exceed three months. However, the profit or loss of the companies for the period from October 1, 2009 to December 31, 2009 is not included in the Company's consolidated statement of income for the fiscal year ended December 31, 2010 because their profit or loss for that period was included in the Company's consolidated statement of income for the fiscal year ended December 31, 2009.

Kyowa Hakko Kirin Co., Ltd. changed its fiscal year-end from March 31 to December 31 effective from the year ended December 31, 2009. As the Company has used the preliminary financial statements of Kyowa Hakko Kirin Co., Ltd. as of its fiscal year-end and for the years then ended for consolidation since Kyowa Hakko Kirin Co., Ltd. became a subsidiary, there is no effect on the consolidated net income or retained earnings of the Company as of December 31, 2009.

(2) EQUITY METHOD

Investments in unconsolidated subsidiaries and affiliates (principally ownership interests of 20% to 50%) are accounted for by the equity method and, accordingly, are stated at purchase cost adjusted for equity earnings and losses of the investments after elimination of unrealized inter-company profits and losses from the date of acquisition of shares. The number of unconsolidated subsidiaries and affiliates accounted for by the equity method was as follows:

	Number of companies at year-end		
	2011	2010	2009
Unconsolidated subsidiaries and affiliates accounted for by the equity method	**19**	22	25

Changes in the scope of application of the equity method during the year ended December 31, 2011 are as follows:
(a) Due to additional acquisition of shares, Fraser and Neave Limited became an affiliate accounted for by the equity method.

(b) Due to new acquisition, 1 affiliate of Kyowa Hakko Kirin Co., Ltd. became an affiliate accounted for by the equity method.
(c) Due to new establishment, China Resources Kirin Beverages (Greater China) Company Limited became an affiliate accounted for by the equity method.
(d) Due to sale of shares, 2 affiliates of Kyowa Hakko Kirin Co., Ltd., Dalian Daxue Brewery Co., Ltd., Tokita Seed Co., Ltd., and 1 affiliate of Mercian Corp. were excluded from the scope of application of the equity method.
(e) Due to additional investment, 1 affiliate of LION PTY LTD became a consolidated subsidiary and was excluded from the scope of application of the equity method.

Changes in the scope of application of the equity method during the year ended December 31, 2010 are as follows:
(a) Due to sale of shares, Verde Co., Ltd., Qingdao International Seeds Co., Ltd. and 1 subsidiary of Kirin Agribio EC B.V. were excluded from the scope of application of the equity method.

Certain investments in unconsolidated subsidiaries, including Chiyoda Transportaion Co., Ltd. in 2011 and Koiwai Shokuhin Corporation in 2010 and 2009, and affiliates including Diamond Sports Club Co., Ltd. were not accounted for by the equity method and were stated at cost because the effect of their net income or losses and retained earnings on the accompanying consolidated financial statements is immaterial.

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

The Company accounts for SAN MIGUEL BREWERY INC. (fiscal year ended December 31) and China Resources Kirin Beverages (Greater China) Co., Ltd. (fiscal year ended December 31) by the equity method. For the years ended December 31, 2011 and 2010, the Company recognized SAN MIGUEL BREWERY INC. in equity of earnings of its financial statements based on the financial statements for 12 months from the fourth quarter of the previous fiscal year to the third quarter of this fiscal year. China Resources Kirin Beverages (Greater China) Co., Ltd. is accounted for by the equity method at the end of the third quarter of the fiscal year and its profit or loss is not accounted in the consolidated financial statements.

In 2009, the Company recognized its equity in the earnings of SAN MIGUEL BREWERY INC., which was acquired in the second quarter, based on its third quarter financial statements. As a result, the consolidated statement of income of the Company for the year ended December 31, 2009 included the financial results of SAN MIGUEL BREWERY INC., for 6 months from April 1, 2009 to September 30, 2009.

It is difficult for the Company to prepare its consolidated financial statements based on the final year-end figures of the above two companies due to the early disclosure of the consolidated business performance.

Effective from the year ended December 31, 2011, the Company has applied the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 of March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ Practical Issues Task Force (PITF) No. 24 of March 10, 2008). There was no effect on operating result from this application.

(3) **FOREIGN CURRENCY TRANSLATION**

(a) Translation of accounts

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date. Gains and losses resulting from the translation are recognized in the consolidated statements of income as incurred.

(b) Financial statements denominated in foreign currencies

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for shareholders’ equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

(4) **CASH AND CASH EQUIVALENTS**

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with negligible risk of changes in value and maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(5) **MARKETABLE AND INVESTMENT SECURITIES**

The Company and its consolidated subsidiaries examine the intent of holding each security and classify those securities as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by subsidiaries and affiliated companies, or (d) all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”). The Company and its consolidated subsidiaries did not hold any security defined as (a) above as of December 31, 2011 and 2010.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliates that are not consolidated or accounted for by the equity method are stated at the moving-average cost. Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average method. Available-for-sale securities without fair market value are stated at the moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, or available-for-sale securities declines significantly, such securities are restated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the consolidated statement of income in the period of the decline. For equity securities without fair market value, if the net asset value of the investee declines significantly, such securities are restated to net asset value with the corresponding losses recognized in the consolidated statement of income in the period of decline. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the following fiscal year.

(6) INVENTORIES

Merchandise, finished goods and semi-finished goods are mainly stated at the lower of cost determined by the periodic average method and net realizable value. Raw materials, containers and supplies are mainly stated at the lower of cost determined by the moving-average method and net realizable value. Cost of uncompleted construction contracts is stated at cost determined by the specific identification method.

Effective from the year ended December 31, 2009, the Company adopted “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 July 5, 2006). As a result, operating income, ordinary income and income before income taxes and minority interests decreased by ¥1,715 million, ¥208 million and ¥1,150 million, respectively.

(7) ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

(8) PROPERTY, PLANT AND EQUIPMENT (excluding leased assets)

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

In connection with the reorganization of plants at consolidated subsidiaries, the Company reviewed and modified the useful lives of fixed assets and recognized the adjustment to depreciation under “Non-recurring depreciation of fixed assets” in the consolidated statement of income for the year ended December 31, 2009.

(9) INTANGIBLE ASSETS (excluding leased assets)

The Company and its consolidated domestic subsidiaries amortize intangible assets using the straight-line method. Consolidated overseas subsidiaries mainly adopt the straight-line method over 20 years.

(10) ALLOWANCE FOR EMPLOYEES’ BONUSES

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

(11) ALLOWANCE FOR BONUSES FOR DIRECTORS AND CORPORATE AUDITORS

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

(12) RESERVE FOR LOSS ON LIQUIDATION OF BUSINESS

The Company provides reserve for loss on business liquidation of subsidiaries and affiliates based on the estimated amounts of possible loss. For the year ended December 31, 2009, expenses of loss on liquidation of business amounting to ¥2,628 million is reserved for liquidation or downsizing of Agribio business.

(13) RESERVE FOR REPAIRS AND MAINTENANCE

The consolidated subsidiaries of Kyowa Hakko Kirin Co., Ltd. provided reserve for periodic repairs and maintenance of production facilities based on the estimated amounts payable as of December 31, 2010.

(14) EMPLOYEES' PENSION AND RETIREMENT BENEFITS

The Company and its consolidated subsidiaries provide allowance for employees' pension and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Prior service cost is amortized by the straight-line method over mainly 5 to 15 years. Actuarial differences are amortized by the straight-line method over the average estimated remaining service period, which is mainly 10 to 15 years, beginning from the following fiscal year.

(Changes in accounting policies)
Effective from the year ended December 31, 2010, the Company has applied the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 of July 31, 2008). As a result, there was no effect on operating income, ordinary income and income before income taxes and minority interests for the year ended December 31, 2010. There was also no effect on unamortized actuarial differences caused by application of this amended Accounting Standards as of December 31, 2010.

(15) RETIREMENT BENEFITS FOR DIRECTORS AND CORPORATE AUDITORS

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

(16) RESERVE FOR REPAIRS AND MAINTENANCE OF VENDING MACHINES

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

(17) RESERVE FOR LOSS ON REPURCHASE OF LAND

For the year ended December 31, 2009, the Company provides the reserve at an amount deemed necessary to cover the possible loss related to purchase of land, which was sold to the Organization for Promoting Urban Development (the "Organization") in September 1998 and the estimated loss for land improvement and other.

(18) RESERVE FOR ENVIRONMENTAL MEASURES

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

(Additional information)
Since the estimated amount payable for environmental measures became significant, the Company recorded reserve for environmental measures effective from the year ended December 31, 2010. Accordingly, the Company recorded a reserve of ¥1,172 million as of December 31, 2010 and the corresponding expense was recorded in "Other" in special expenses for the year ended December 31, 2010, which resulted in a decrease in income before income taxes and minority interests by the same amount.

(19) RESERVE FOR LOSS ON LITIGATION

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

(20) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the improvement of existing products or the development of new products, including basic research and fundamental development costs, are recognized in the consolidated statements of income in the year when incurred. The total amount of research and development expenses, included in cost of sales and selling, general and administrative expenses, was ¥58,297 million ($749,897 thousand), ¥55,660 million and ¥58,534 million, for the years ended December 31, 2011, 2010 and 2009, respectively.

(21) LIQUOR TAXES

The amounts of liquor taxes stated in the consolidated statements of income represent the liquor taxes on the sale of liquor products.

(22) **INCOME TAXES**

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(23) **CONSUMPTION TAXES**

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

(24) **LEASES**

Effective from the year ended December 31, 2009, the Company has applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 of June 17, 1993 (First Committee of the Business Accounting Council); revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 of January 18, 1994 (Japanese Institute of Certified Public Accountants, Committee on Accounting Systems); revised on March 30, 2007), and accordingly such transactions are now based on capital lease method. Depreciation of leased assets is calculated by the straight-line method over the lease terms without residual value. For finance lease transactions other than those involving a transfer of title that began prior to the application of the new accounting standards, the previous operating lease method will continue to be applied.

(25) **DERIVATIVE AND HEDGE ACCOUNTING**

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains and losses in the consolidated statement of income unless derivative financial instruments are used for hedging purposes.

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

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

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (a) the difference, if any, between the amount in Japanese yen of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of income in the period which includes the inception date, and
   (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract. ("*appropriation treatment*")

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

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

Interest rate swaps that hedge transactions between consolidated companies are stated at fair value and the changes in the fair value are recognized as income or loss in the consolidated statement of income for the period.

Hedging instruments and hedged items
The following summarizes hedging derivative financial instruments used by the Company and its consolidated subsidiaries and the items hedged:

Hedging instruments	Hedged items
Forward foreign exchange contracts, currency swap contracts, and others	Receivables and payables in foreign currency, future transactions in foreign currency
Interest rate swap contracts, and others	Interest on loans receivable and payable
Commodity swap contracts, and others	Commodity prices

The Company and its consolidated subsidiaries use derivative financial instruments mainly for the purpose of mitigating (i) fluctuation risk of foreign currency exchange rates with respect to receivables and payables in foreign currency and future transactions in foreign currency, (ii) fluctuation risk of interest rates with respect to loans receivable and payable, and (iii) fluctuation risk of commodity prices of raw materials and others.

The Company and its consolidated subsidiaries evaluate hedging effectiveness semi-annually by comparing the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging derivative instruments.

(26) **NEW ACCOUNTING STANDARDS**

(a) Accounting standard for presentation of comprehensive income
Effective from the year ended December 31, 2011, the Company has applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 of June 30, 2010). Accordingly, "Accumulated Other Comprehensive Income" is presented in the consolidated balance sheets and the consolidated statements of changes in net assets. Information with respect to other comprehensive income for the year ended December 31, 2010 is disclosed in Note 15. The amounts of "Accumulated Other Comprehensive Income" and "Total Accumulated Other Comprehensive Income" as of December 31, 2010 include the amounts of "Valuation and Translation Adjustments" and "Total Valuation and Translation Adjustments," respectively.

(b) Accounting standard for consolidated financial statements
Effective from the year ended December 31, 2011, the Company has applied the "Cabinet Office Ordinance Partially Revising the Rules on Financial Statement Terminology, Forms and Preparation Method, etc." (Cabinet Office Ordinance No. 5 of March 24, 2009) based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of December 26, 2008). As a result, "Income before minority interests" is presented on the consolidated financial statements for the year ended December 31, 2011, 2010 and 2009.

(c) Accounting standards for assets retirement obligations
Effective from the year ended December 31, 2011, the Company has applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 of March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 of March 31, 2008). As a result, operating income, ordinary income and income before income taxes and minority interests decreased by ¥166 million ($2,135 thousand), ¥147 million ($1,890 thousand) and ¥1,628 million ($20,941 thousand), respectively.

(d) Accounting standards for business combinations
Effective from the year ended December 31, 2010, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 of December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 of December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008).

(e) Accounting standards for disclosures about fair value of investment and rental property
Effective from the year ended December 31, 2010, the Company has applied the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20 of November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 of November 28, 2008). Since the aggregate value of the Company's investment and rental property is immaterial, the Company omitted the disclosure for the years ended December 31, 2011 and 2010.

(f) Accounting standards for construction contracts
Effective from the year ended December 31, 2010, the Company has applied the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15 of December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18 of December 27, 2007). For construction contracts started from the fiscal year ended December 31, 2010, the percentage-of-completion method (the cost proportion method is used to estimate the percentage of completion) is applied to the contracts if the outcome of construction activity is deemed to be reasonably certain, while the completed-contract method is applied otherwise. The effect on net income for the fiscal year ended December 31, 2010 of this change was immaterial.

(g) Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
Effective from the year ended December 31, 2009, the Company has applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18 of May 17, 2006), and made the necessary adjustments to the consolidated financial statements. As a result, beginning retained earnings decreased by ¥6,355 million for the year ended December 31, 2009 due to the amortization of goodwill at overseas subsidiaries. The effect on net income of this change is immmateral.

(27) **RECLASSIFICATION**

Certain prior year amounts have been reclassified to conform to the current year presentation.
As described innote 2(26)(b), the consolidated income statement for the year ended December 31, 2010 and 2009 has been modified to conform with the new presentation rules for the year ended December 31,2011.

3. SHORT-TERM LOANS PAYABLE, COMMERCIAL PAPERS, LONG-TERM DEBT, BONDS AND OTHER LONG-TERM LIABILITIES

Short-term loans payable outstanding at December 31, 2011 and 2010 consisted of the following:

	December 31, 2011	December 31, 2010	December 31, 2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Unsecured	**¥35,195**	¥133,814	**$452,727**
Secured	**8,070**	100	**103,807**
Total short-term loans payable	**¥43,266**	¥133,914	**$556,547**

Average annual interest rates on outstanding short-term loans payable as of December 31, 2011 and 2010 were 2.92% and 1.10%, respectively.

Long-term debt and bonds at December 31, 2011 and 2010 consisted of the following:

	December 31, 2011	December 31, 2010	December 31, 2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Loans principally from banks and insurance companies, maturing from 2013 to 2025 with average annual interest rates of 2.17% for current portion and 2.35% for non-current portion	**¥511,250**	¥310,592	**$6,576,408**
0.553% coupon debentures in yen, due in 2012	**20,000**	20,000	**257,267**
1.09% coupon debentures in yen, due in 2013	**79,994**	79,989	**1,028,994**
0.856% coupon debentures in yen, due in 2014	**30,000**	30,000	**385,901**
1.27% coupon debentures in yen, due in 2015	**29,994**	29,992	**385,824**
0.505% coupon debentures in yen, due in 2016	**30,000**	-	**385,901**
1.69% coupon debentures in yen, due in 2018	**69,991**	69,989	**900,321**
1.639% coupon debentures in yen, due in 2019	**50,000**	50,000	**643,169**
1.86% coupon debentures in yen, due in 2020	**19,989**	19,987	**257,126**
1.239% coupon debentures in yen, due in 2021	**40,000**	-	**514,535**
8.65% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2012	**3,111**	6,723	**40,018**
4.53% U.S. dollar private placement bonds issued by foreign subsidiaries, due in 2015	**15,518**	16,748	**199,614**
Less current maturities	**(65,363)**	(51,233)	**(840,789)**
Total long-term debt and bonds	**¥834,486**	¥582,790	**$10,734,319**

The above balances of loans include secured loans of ¥10,300 million ($132,492 thousand) and ¥82 million as of December 31, 2011 and 2010, respectively.

Other interest-bearing debt as of December 31, 2011 and 2010 consisted of the following:

	December 31, 2011	December 31, 2010	December 31, 2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Finance lease obligation - current (at an average interest rate of 3.50% in 2011 and 3.77% in 2010)	**¥1,117**	¥1,232	**$14,368**
Finance lease obligation - non-current (at an average interest rate of 4.46% in 2011 and 3.89% in 2010, maturing between 2013 to 2028)	**5,341**	5,541	**68,703**
Commercial papers (at an average interest rate of 0.13% in 2011 and 0.12% in 2010)	**121,989**	10,999	**1,569,192**
Deposits received from customers (at an average interest rate of 1.06% in 2011 and 1.27% in 2010)	**¥73,222**	¥73,663	**$941,883**

Deposits received on the accompanying consolidated balance sheets include non-interest-bearing deposits.
The above balance of deposits received includes a secured portion of ¥3,429 million ($44,108 thousand) and ¥3,430 million as of December 31, 2011 and 2010, respectively.

The aggregate annual maturities of long-term debt, bonds and finance lease obligation at December 31, 2011 were as follows:

	Amount	
	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
Year ending December 31,		
2012	**¥66,480**	**$855,158**
2013	**103,425**	**1,330,396**
2014	**139,063**	**1,788,821**
2015 and thereafter	**597,339**	**7,683,804**
Total	**¥906,308**	**$11,658,193**

Deposits received are not included in the above schedule of annual maturities, as there is no fixed maturity period for these deposits.

As of December 31, 2011 and 2010, assets pledged as collateral for the above secured liabilities were as follows:

	December 31,		December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Cash	**¥9**	¥9	**$115**
Notes and accounts receivable, trade	**-**	29	**-**
Property, plant and equipment	**19,662**	2,375	**252,919**
Other	**101**	1,152	**1,299**
Total	**¥19,772**	¥3,566	**$254,334**

Deposits received relating to construction were recognized at the discounted present value of ¥10,377 million ($133,483 thousand) and ¥10,174 million as of December 31, 2011 and 2010, respectively, in accordance with the accounting standard for financial instruments.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated loss from impairment in the consolidated balance sheets, and are summarized as follows:

	December 31,		December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Buildings and structures	**¥609,927**	¥602,882	**$7,845,729**
Machinery, equipment and vehicles	**853,220**	860,746	**10,975,302**
Land	**201,436**	225,246	**2,591,149**
Construction in progress	**47,529**	61,103	**611,384**
Other	**177,019**	179,917	**2,277,064**
Total	**1,889,134**	1,929,896	**24,300,668**
Accumulated depreciation	**(1,125,301)**	(1,190,661)	**(14,475,186)**
Net of property, plant and equipment	**¥763,833**	¥739,235	**$9,825,482**

5. CONTINGENT LIABILITIES

As of December 31, 2011 and 2010, the Company and its consolidated subsidiaries were contingently liable as guarantors of loan obligations of unconsolidated subsidiaries, affiliates, employees and others for the amount of ¥6,240 million ($80,267 thousand) and ¥7,820 million, respectively. The Company and its consolidated subsidiaries were also contingently liable for notes and accounts receivables transferred through securitization for the amount of ¥1,135 million as of December 31, 2010.
The Company and its consolidated subsidiaries were also contingently liable for notes receivable discounted for the amount of ¥83 million ($1,067 thousand) and ¥30 million as of December 31, 2011 and 2010, respectively.
Consolidated subsidiaries of the Company in Brazil are in tax-related litigation with the tax authority over ICMS (State Value-Added Tax), PIS (Social Integration Program), COFINS (Social Security Contribution) and others, in addition to labor-related litigation and civil lawsuits. Although "Reserve for loss on litigation" has been recorded in order to provide for the estimated losses on these litigation and lawsuits, BRL 2,042,443 thousand (¥84,659 million) associated with tax-related litigation, BRL 155,637 thousand (¥6,451 million) associated with labor-related litigation and BRL 204,375 thousand (¥8,471 million) associated with civil lawsuits have not been recorded as reserves as of December 31, 2011, because the risks of losses in the future are classified by the management as possible upon consideration of the individual risks of each contingent event based on the opinion of outside legal advisers.

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended December 31, 2011, 2010 and 2009 were as follows:

	Year ended December 31,			Year ended December 31,
	2011	2010	2009	**2011**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Sales promotion	**¥151,176**	¥157,040	¥192,714	**$1,944,635**
Freight	**72,071**	70,857	80,010	**927,077**
Advertising	**59,074**	64,307	68,231	**759,891**
Employees' pension and retirement benefit expenses	**14,440**	14,941	15,912	**185,747**
Salaries and wages of employees	**137,472**	133,033	141,921	**1,768,356**
Research and development expenses	**58,238**	55,468	57,843	**749,138**
Depreciation	**¥31,893**	¥31,274	¥30,900	**$410,252**

7. LOSS ON IMPAIRMENT

Year ended December 31, 2011
The Company and its consolidated subsidiaries classified fixed assets into groups based on the respective type of business, which are the units for making investment decisions. However, certain goodwill of foreign subsidiaries including Australian subsidiaries was classified into groups of units which represent the lowest level at which the goodwill is monitored for internal management purposes.

Use	Location	Type of assets
Assets used for business (Domestic Alcohol Beverages business)	Itabashi-ku, Tokyo and 3 others	Buildings and structures, machinery, equipment and vehicles, land, intangible assets and other
Assets used for business (Overseas Alcohol Beverages and Soft Drinks business)	Australia and China	Buildings and structures, machinery, equipment and vehicles, land, intangible assets and other assets
Assets for rent	Chofu-shi, Tokyo	Buildings and structures
Idle properties	Takatsuki-shi, Osaka and 11 others	Buildings and structures, machinery, equipment and vehicles, land and other assets

For idle properties, each property is considered to constitute a group. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independent of other assets or group of assets.

Carrying amounts of certain assets were devalued to their memorandum value or recoverable amount because (i) It was clearly determined that some assets used for Domestic Alcohol Beverages business would not be used in the future and others, (ii) The Company revalued assets recorded at Overseas Alcohol Beverage and Soft Drink businesses at subsidiaries in Australia and China, and (iii) The fair market values of rental properties and idle properties substantially declined compared to their carrying values.
As a result, the Company recognized a loss on impairment for such devaluation of ¥16,895 million ($217,326 thousand) recorded under special expenses, comprising ¥1,663 million ($21,391 thousand) for buildings and structures, ¥2,775 million ($35,695 thousand) for machinery, equipment and vehicles, ¥7,104 million ($91,381 thousand) for land, ¥505 million ($6,496 thousand) for other property, plant and equipment, and ¥4,846 million ($62,335 thousand) for other intangible assets.

The recoverable amount of each group of assets is the higher of net selling price (fair value less cost to sell or appraised value) or value in use calculated by discounting future cash flows at a discount rate of 5.0 % for the Company and domestic consolidated subsidiaries. Discount rates of 10.5% to 13.5% were used for the calculation of value in use of assets recorded at overseas consolidated subsidiaries depending on the situation of each subsidiary.

Year ended December 31, 2010

The Company and its consolidated subsidiaries classified fixed assets into groups by the respective type of business (Alcohol Beverages, Soft Drinks and Foods, Pharmaceuticals, and Other), which are the units for making investment decisions.

Use	Location	Type of assets
Others (Soft Drinks and Foods business)	Australia	Goodwill, intangible assets and other assets
Assets used for business (Alcohol Beverages business)	Yatsushiro-shi, Kumamoto and 2 others	Buildings and structures, machinery, equipment and vehicles and other assets
Assets used for business and assets for rent (Soft Drinks and Foods business)	Sayama-shi, Saitama	Buildings and structures and land
Assets for rent	Osaka-shi, Osaka	Buildings and structures, machinery, equipment and vehicles, land and other assets
Idle properties	Takaoka-shi, Toyama and 9 others	Buildings and structures, machinery, equipment and vehicles, land and other assets

Fixed assets in the real estate business included in Others and the restaurant business and idle properties along with individual properties or stores are considered to constitute a group. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independent of other assets or group of assets.

Carrying amounts of certain assets were devalued to their memorandum value or recoverable amount because (i) The Company revalued goodwill, intangible assets and others recorded at Soft Drink and Food business at subsidiaries in Australia in accordance with International Financial Reporting Standards by reflecting recent increase in material prices, changes in market environment and the volatility of brand value caused by such changes, (ii) Some assets used for Alcohol Beverages business were not recoverable based on estimated future cash flows, (iii) Some of business assets and rental properties used for Soft Drinks and Foods business were revalued following the reorganization of refrigerated drinks manufacturing operations, and (iv) The fair market values of rental properties and idle properties substantially declined compared to their carrying values.

As a result, the Company recognized a loss on impairment for such devaluation, recorded under special expenses, comprising ¥1,422 million for buildings and structures, ¥1,224 million for machinery, equipment and vehicles, ¥1,384 million for land, ¥29 million for other property, plant and equipment, ¥13,938 million for goodwill, and ¥24,885 million for other intangible assets.

The recoverable amount of each group of assets is the higher of net selling price (fair value less cost to sell or appraised value) or value in use calculated by discounting future cash flows at a discount rate of 5.0 % for the Company and domestic consolidated subsidiaries. Discount rate of 12.9% (post tax 9.0%) was used for the calculation of value in use of goodwill and other assets recorded at the Soft Drink and Food business in Australia.

Year ended December 31, 2009

The Company and its consolidated subsidiaries classified fixed assets into groups by the respective type of business (Alcohol Beverages, Soft Drinks and Foods, Pharmaceuticals, and Other), which are the units making investment decisions.

Use	Location	Type of assets
Assets used for business (Alcohol Beverages business)	Shioya-gun, Tochigi and 7 others	Buildings and structures, machinery, equipment and vehicles, land and other assets
Assets used for business (Soft Drinks and Foods business)	South Australia, Australia and 2 others	Buildings and structures, machinery, equipment and vehicles, and tools
Assets for rent	Taisho-ku, Osaka	Buildings and structures, and land
Idle properties	Itabashi-ku, Tokyo and 3 others	Buildings and structures, machinery, equipment and vehicles, land and other assets

Fixed assets in the real estate business included in Others, the restaurant business and idle properties along with individual properties or stores are considered to constitute a group. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independent of other assets or group of assets.

Carrying amounts of certain assets were devalued to their memorandum value or recoverable amount because (i) It became clear that Tochigi and Hokuriku plants of Kirin Brewery Company, Limited in Alcohol Beverages business would no longer be utilized as a result of reorganization and Kirin Hiroshima Brewery would no longer be utilized as a result of its planned closure, (ii) Some assets used for Soft Drinks and Foods business are being reorganized as production equipment, (iii) carrying amounts of rental properties were not recoverable based on estimated future cash flows, and (iv) carrying amounts of idle properties were devalued to their recoverable amounts, owing to substantial decline in their fair market value.

During the fiscal year ended December 31, 2009, the Company and its consolidated subsidiaries recognized loss on impairment on the following groups of assets;
As a result, the Company recognized a loss on impairment, recorded under special expenses, comprising ¥13,319 million for buildings and structures, ¥9,351 million for machinery, equipment and vehicles, ¥7,534 million for land, ¥144 million for other property, plant and equipment, ¥379 million for other intangible assets, and ¥7,815 million for removal costs.
The recoverable amount of each group of assets is the higher of net selling price (fair value less cost to sell or appraised value) or value in use calculated by discounting future cash flows at a discount rate of 5.0 % for the Company and domestic consolidated subsidiaries.
For Kirin Brewery Company, Limited, value in use of the depreciable assets related to the plant reorganization is calculated by the depreciation expense equivalents until the cessation of manufacturing.
Due to a decline in premium brand profitability at consolidated subsidiaries in Australia, loss on impairment of other intangible assets, in the amount of ¥299 million, was recognized.

8. FOREIGN CURRENCY TRANSLATION GAIN OR LOSS

For the year ended December 31, 2011, loss on currency swaps that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies amounting to ¥851 million ($10,946 thousand) is included in “Other” under non-operating expenses after offsetting foreign currency translation gains.
For the year ended December 31, 2010, gain on currency swaps and forward foreign exchange contracts that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies amounting to ¥3,932 million is presented after offsetting foreign currency translation loss.
For the year ended December 31, 2009, loss on currency swaps and forward foreign exchange contracts that are carried to hedge the foreign exchange rate fluctuation risks for loans receivable in foreign currencies amounting to ¥16,597 million is presented after offsetting foreign currency translation gain.

9. REVERSAL OF REMOVAL COSTS

In connection with reorganizing of factories at domestic consolidated subsidiaries, removal costs of assets were recorded for the year ended December 31, 2009. Since the actual removal cost was lower than initially estimated, the Company reversed the difference in special income in the consolidated statement of income for the year ended December 31, 2010.

10. LOSS ON REVISION OF RETIREMENT BENEFIT PLAN

For the year ended December 31, 2010, loss on revision of retirement benefit plan was recognized mainly due to the partial abolishment of the lump-sum severance payment plan of the Company and its consolidated subsidiaries.

11. LOSS ON PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2010, it was revealed that fraudulent actions, such as intentional failure to record the cost of shipment of sample products, inappropriate accounting of manipulation of sales recording periods and others, and lost of sales, fictitious manufacturing, and circular transactions combining these transactions, had been carried out from prior years by the Fish Feedstuffs Division of Mercian Corporation, a consolidated subsidiary of the Company. It was also revealed that in order to conceal these fraudulent actions, falsification of tracking records in internal control records and manipulation of stock quantities by imitations had been carried out.
Based on the results of an investigation conducted by an internal investigation committee of Mercian Corporation, the amounts recorded for trade accounts receivable, inventories, sales and cost of sales were revised. Due to this revision for the year ended December 31, 2010, the Company recognized ¥5,300 million loss for prior years as a loss on prior period adjustments in special expenses, and income taxes for prior years-deferred amounted to ¥1,169 million as reversal of deferred tax assets in prior years. The losses incurred during the fiscal year ended December 31, 2010, have been recorded in the respective account items.

12. LOSS RELATED TO THE GREAT EAST JAPAN EARTHQUAKE

Loss related to the Great East Japan Earthquake for the year ended December 31, 2011 includes repair costs for damaged facilities, loss on devaluation and disposal of damaged inventories, fixed costs for manufacturing during suspension of operations, and costs related to unpublished advertisements.

13. BUSINESS RESTRUCTURING EXPENSE

For the years ended December 31, 2011 and 2010, business restructuring expense comprised expense for plant reorganization of ¥4,222 million ($54,309 thousand) and ¥5,337 million, respectively, at consolidated subsidiaries.
For the year ended December 31, 2009, business restructuring expense comprised additional retirement benefits amounting to ¥1,363 million resulting from early retirement at consolidated subsidiaries.

14. EXPENSES FOR INTEGRATION

For the year ended December 31, 2009, temporary expenses resulting from strategic integration in the Group are included in "Expenses for integration."

15. COMPREHENSIVE INCOME

Other comprehensive income for the year ended December 31, 2010 was as follows:

	(Millions of yen)
Net unrealized gains on securities	¥(12,391)
Deferred gains or losses on hedges	2,799
Foreign currency translation adjustments	(6,464)
Share of other comprehensive income of associates accounted for by the equity method	(4,537)
Total	¥(20,594)

Comprehensive income for the year ended December 31, 2010 was as follows:

	(Millions of yen)
Comprehensive income attributable to:	
Owners of the parent	¥(5,766)
Minority interests	7,675
Total	¥1,908

16. INFORMATION ON SECURITIES

The following tables summarize acquisition costs, book value and fair value of securities with fair market value.

(a) Held-to-maturity debt securities with fair market value

	December 31, 2011					
	Book value	Fair market value	Difference	Book value	Fair market value	Difference
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
1. Securities with fair market value exceeding book value						
Governmental/municipal bonds	**¥310**	**¥312**	**¥2**	**$3,987**	**$4,013**	**$25**
Corporate bonds	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Sub-total	**310**	**312**	**2**	**3,987**	**4,013**	**25**
2. Securities with fair market value not exceeding book value						
Governmental/municipal bonds	**-**	**-**	**-**	**-**	**-**	**-**
Corporate bonds	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**
Total	**¥310**	**¥312**	**¥2**	**$3,987**	**$4,013**	**$25**

	December 31, 2010		
	Book value	Fair market value	Difference
	(Millions of yen)		
1. Securities with fair market value exceeding book value			
Governmental/municipal bonds	¥510	¥516	¥6
Corporate bonds	-	-	-
Other	-	-	-
Sub-total	510	516	6
2. Securities with fair market value not exceeding book value			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Sub-total	-	-	-
Total	¥510	¥516	¥6

(b) Available-for-sale securities with fair market value

	December 31, 2011					
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
1. Securities with book value exceeding acquisition cost						
Equity securities	**¥66,530**	**¥40,610**	**¥25,920**	**$855,801**	**$522,382**	**$333,419**
Bonds						
Governmental/municipal bonds	**-**	**-**	**-**	**-**	**-**	**-**
Corporate bonds	**-**	**-**	**-**	**-**	**-**	**-**
Other	**5,064**	**4,909**	**155**	**65,140**	**63,146**	**1,993**
Other	**1,087**	**934**	**153**	**13,982**	**12,014**	**1,968**
Sub-total	**72,682**	**46,453**	**26,228**	**934,936**	**597,543**	**337,381**
2. Securities with book value not exceeding acquisition cost						
Equity securities	**40,550**	**49,563**	**(9,013)**	**521,610**	**637,548**	**(115,937)**
Bonds						
Governmental/municipal bonds	**-**	**-**	**-**	**-**	**-**	**-**
Corporate bonds	**-**	**-**	**-**	**-**	**-**	**-**
Other	**14**	**15**	**(0)**	**180**	**192**	**(11)**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Sub-total	**40,565**	**49,579**	**(9,014)**	**521,803**	**637,754**	**(115,950)**
Total	**¥113,247**	**¥96,033**	**¥17,214**	**$1,456,740**	**$1,235,310**	**$221,430**

	December 31, 2010		
	Book value	Acquisition cost	Difference
	(Millions of yen)		
1. Securities with book value exceeding acquisition cost			
Equity securities	¥89,100	¥50,208	¥38,892
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	348	346	2
Other	-	-	-
Sub-total	89,449	50,554	38,895
2. Securities with book value not exceeding acquisition cost			
Equity securities	136,272	162,210	(25,938)
Bonds			
Governmental/municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Sub-total	136,272	162,210	(25,938)
Total	¥225,721	¥212,764	¥12,956

(c) Total sale of available-for-sale securities

	Year ended December 31,		Year ended December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Amount of securities sold	**¥7,875**	¥32,962	**$101,299**
Total gain on sale	**1,619**	14,716	**20,825**
Total loss on sale	**¥692**	¥132	**$8,901**

(d) Book value of major securities not measured at fair market value

	December 31,		December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Available-for-sale securities			
Unlisted equity securities	**¥19,709**	¥24,502	**$253,923**
Other	**31**	33	**-**
Total	**¥19,740**	¥24,536	**$253,923**

(e) Reclassification of holding purpose of investment securities

The holding purpose of shares of Fraser and Neave Limited that were held as available-for-sale securities was changed to equity securities issued by affiliates since the Company acquired additional shares during the fiscal year ended December 31, 2011 and therefore it was accounted for by the equity method. As a result, net unrealized gains on securities increased by ¥2,161 million ($27,797 thousand) as a result of this reclassification.

(f) Impairment loss on investment securities

Impairment losses of ¥24,119 million ($310,252 thousand), ¥1,612 million and ¥8,363 million were recognized in the consolidated statements of income as “Loss on devaluation of investment securities”, for available-for-sale securities for the years ended December 31, 2011, 2010 and 2009, respectively. Where the fair market value of available-for-sale securities has declined by more than 30% from their acquisition costs, the value of those securities is considered to have “substantially declined” and the impairment losses on those securities are recognized in the consolidated statements of income, unless the value is considered recoverable. For available-for-sale securities without fair market value, when the value of those securities has declined by more than 50% from their acquisition costs, the value of those securities is considered to have “substantially declined” and the impairment losses on those securities are recognized in the consolidated statements of income, except for cases where the recoverability of the value of those securities in the future is supported by reasonable grounds.

17. SEGMENT INFORMATION

For the year ended December 31, 2011

Effective from the year ended December 31, 2011, the Company has applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17 of March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 of March 21, 2008).

1. Summary of reportable segments

The reportable segments of the Kirin Group are constituent units of the Group whose separate financial information is readily available and which are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating the business results.

The Kirin Group comprises, under a holding company structure, various business companies including Kirin Brewery Company, Limited engaging in the Domestic Alcohol Beverages business, Kirin Beverage Company, Limited engaging in the Domestic Non-alcohol Beverages business, LION PTY LTD engaging in the Overseas Beverages business, and Kyowa Hakko Kirin Co., Ltd. engaging in the Pharmaceuticals and Biochemicals business. Each of these business companies work out a comprehensive strategy applicable to their products and services and carries out their business activities.

Consequently, the Kirin Group has identified four reportable segments, namely, Domestic Alcohol Beverages, Domestic Non-alcohol Beverages, Overseas Beverages, and Pharmaceuticals and Biochemicals, by combining the business companies with the emphasis on the business company units and in consideration of the similarity of their economic characteristics.

“Domestic Alcohol Beverages” conducts domestic production and sale of alcohol beverages, such as beer, sparkling malt liquor (*happo-shu*), new genre, whiskey, spirits and wine, and includes such businesses as engineering and logistics.

"Domestic Non-alcohol Beverages" conducts domestic production and sale of soft drinks.

"Overseas Beverages" conducts overseas production and sale of beer, whiskey, spirits, wine, soft drinks, dairy products and other products. in overseas.

"Pharmaceuticals and Biochemicals" conducts production and sale of pharmaceutical and biochemical products and other products.

"Domestic Alcohol Beverages" and "Domestic Non-alcohol Beverages" include certain overseas companies.

2. Calculation of sales, income or loss, assets and other item amounts by reportable segment

The accounting method for the business segments that are reported is generally the same as described in Note 2 "SIGNIFICANT ACCOUNTING POLICIES."
The segment income figures stated in the reportable segments are based on operating income.
The inter-segment sales or the inter-segment figures are based on actual market prices.

	Year ended December 31, 2011						
	Reportable Segment						Amount recorded in the consolidated financial statements (Note 3)
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Biochemicals	Others (Note 1)	Adjustment (Note 2)	
	(Millions of yen)						
Sales							
Unaffiliated customers	**¥868,233**	**¥314,568**	**¥454,216**	**¥332,843**	**¥101,912**	**¥-**	**¥2,071,774**
Less liquor taxes	**323,129**	**-**	**-**	**-**	**246**	**-**	**323,375**
Net sales	**545,104**	**314,568**	**454,216**	**332,843**	**101,665**	**-**	**1,748,398**
Inter-segment	**36,222**	**2,865**	**974**	**10,879**	**28,767**	**(79,710)**	**-**
Total sales	**581,326**	**317,434**	**455,190**	**343,722**	**130,433**	**(79,710)**	**1,748,398**
Segment income	**70,580**	**2,802**	**15,388**	**49,447**	**6,259**	**(1,613)**	**142,864**
Segment assets	**563,296**	**207,055**	**1,239,872**	**639,704**	**236,584**	**(32,259)**	**2,854,254**
Other items							
Depreciation and amortization	**31,995**	**12,463**	**26,941**	**22,833**	**8,450**	**1,186**	**103,871**
Amortization of goodwill	**223**	**2,630**	**26,185**	**7,659**	**754**	**-**	**37,453**
Investments in equity-method affiliates	**1,397**	**744**	**165,107**	**30,894**	**88,735**	**-**	**286,878**
Increase of property, plant and equipment and intangible assets	**¥22,785**	**¥7,849**	**¥20,917**	**¥19,528**	**¥6,292**	**¥695**	**¥78,069**

Year ended December 31, 2011							
	Reportable Segment						
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Biochemicals	Others (Note 1)	Adjustment (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	(Thousands of U.S. dollars) (Note 1)						
Sales							
Unaffiliated customers	**$11,168,420**	**$4,046,411**	**$5,842,757**	**$4,281,489**	**$1,310,933**	**$-**	**$26,650,038**
Less liquor taxes	**4,156,534**	**-**	**-**	**-**	**3,164**	**-**	**4,159,698**
Net sales	**7,011,885**	**4,046,411**	**5,842,757**	**4,281,489**	**1,307,769**	**-**	**22,490,326**
Inter-segment	**465,937**	**36,853**	**12,528**	**139,940**	**370,041**	**(1,025,340)**	**-**
Total sales	**7,477,823**	**4,083,277**	**5,855,286**	**4,421,430**	**1,677,810**	**(1,025,340)**	**22,490,326**
Segment income	**907,898**	**36,043**	**197,941**	**636,056**	**80,511**	**(20,748)**	**1,837,715**
Segment assets	**7,245,896**	**2,663,429**	**15,948,958**	**8,228,762**	**3,043,272**	**(414,960)**	**36,715,384**
Other items							
Depreciation and amortization	**411,564**	**160,316**	**346,552**	**293,709**	**108,695**	**15,255**	**1,336,133**
Amortization of goodwill	**2,868**	**33,830**	**336,827**	**98,520**	**9,698**	**-**	**481,722**
Investments in equity-method affiliates	**17,970**	**9,570**	**2,123,835**	**397,401**	**1,141,432**	**-**	**3,690,223**
Increase of property, plant and equipment and intangible assets	**$293,092**	**$100,964**	**$269,063**	**$251,196**	**$80,936**	**$8,940**	**$1,004,232**

Notes

1. “Others” includes food business, such as seasonings, and others.

2. The adjustments are as follows;

(1) The negative ¥1,613 million ($20,748 thousand) adjustment in segment income includes ¥19,503 million ($250,874 thousand) in inter-segment eliminations and negative ¥21,117 million ($271,636 thousand) in corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses due to the Company’s transfer to a pure holding company and research and development expenses for basic technologies.

(2) The negative ¥32,259 million ($414,960 thousand) adjustment in segment assets includes negative ¥ 307,181 million ($3,951,389 thousand) in inter-segment asset and liability eliminations and ¥ 274,921 million ($3,536,416 thousand) in corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (investment securities) of the Company, and assets which belong to the administrative department of the Company, a pure holding company.

(3) The ¥1,186 million ($15,255 thousand) adjustment in depreciation and amortization mainly consists of depreciation and amortization of corporate assets.

(4) The ¥ 695 million ($8,940 thousand) adjustment in increase of property, plant and equipment and intangible assets mainly consists of the acquisitions of property, plant and equipment and intangible assets that are treated as corporate assets.

3. Segment income is reconciled to operating income in the consolidated statements of income.

	Year ended December 31, 2010						
	Reportable Segment						Amount recorded in the consolidated financial statements (Note 3)
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Biochemicals	Others (Note 1)	Adjustment (Note 2)	
	(Millions of yen)						
Sales							
Unaffiliated customers	¥928,480	¥347,769	¥403,977	¥405,602	¥91,972	¥-	¥2,177,802
Less liquor taxes	341,484	-	-	888	154	-	342,527
Net sales	586,996	347,769	403,977	404,714	91,818	-	1,835,274
Inter-segment	43,983	5,422	893	8,139	31,907	(90,347)	-
Total sales	630,979	353,192	404,870	412,853	123,726	(90,347)	1,835,274
Segment income	73,239	2,453	22,907	48,719	8,104	(3,811)	151,612
Segment assets	603,105	214,940	906,723	664,500	160,850	99,076	2,649,197
Other items							
Depreciation and amortization	35,034	14,242	23,720	22,188	8,480	1,593	105,259
Amortization of goodwill	247	2,725	24,295	6,752	611	-	34,632
Investments in equity-method affiliates	2,278	751	135,976	31,834	3,981	-	174,821
Increase of property, plant and equipment and intangible assets	¥29,238	¥9,268	¥19,238	¥29,326	¥7,219	¥862	¥95,154

Notes

1. “Others” includes food business such as seasonings, and others.

2. The adjustments are as follows;

(1) The negative ¥3,811 million adjustment in segment income includes ¥18,183 million in inter-segment eliminations and negative ¥21,995 million in corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses due to the Company’s transfer to a pure holding company and research and development expenses for basic technologies.

(2) The ¥99,076 million adjustment in segment assets includes negative ¥364,349 million in inter-segment asset and liability eliminations and ¥463,426 million in corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (investment securities) of the Company, and assets which belong to the administrative department of the Company, a pure holding company.

(3) The ¥1,593 million adjustment in depreciation and amortization mainly consists of depreciation and amortization of corporate assets.

(4) The ¥862 million adjustment in increase of property, plant and equipment and intangible assets mainly consists of the acquisitions of property, plant and equipment and intangible assets that are treated as corporate assets.

3. Segment income is reconciled to operating income described in the consolidated statements of income.

3. Related Information

(1) Information by product and service

Information is omitted since similar information is disclosed in the segment information.

(2) Information by region

(i) Sales

Year ended December 31, 2011							
Japan	Asia / Oceania	Others	Total	Japan	Asia / Oceania	Others	Total
(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
¥1,531,467	**¥461,325**	**¥78,980**	**¥2,071,774**	**$19,699,858**	**$5,934,203**	**$1,015,950**	**$26,650,038**

Note: Sales are classified by country or area based on customer location.

(ii) Property, Plant and Equipment

December 31, 2011							
Japan	Asia / Oceania	Others	Total	Japan	Asia / Oceania	Others	Total
(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
¥481,116	**¥153,260**	**¥129,455**	**¥763,833**	**$6,188,783**	**$1,971,443**	**$1,665,230**	**$9,825,482**

(3) Information by major customer

There is no major unaffiliated customer which accounts for 10% or more of the net sales on the consolidated statements of income.

4. Information regarding loss on impairment of fixed assets by reportable segment

Year ended December 31, 2011							
	Reportable Segment				Others	Adjustment	Total
	Domestic Beverages		Overseas Beverages	Pharmaceuticals and Biochemicals			
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages					
	(Millions of yen)						
Loss on impairment	**¥7,084**	**¥11**	**¥8,888**	**¥769**	**¥26**	**¥115**	**¥16,895**

Note: “Others” includes food business, such as seasonings, and others.

Year ended December 31, 2011							
	Reportable Segment				Others	Adjustment	Total
	Domestic Beverages		Overseas Beverages	Pharmaceuticals and Biochemicals			
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages					
	(Thousands of U.S. dollars) (Note 1)						
Loss on impairment	**$91,124**	**$141**	**$114,329**	**$9,891**	**$334**	**$1,479**	**$217,326**

Note: “Others” includes food business, such as seasonings, and others.

5. Information regarding amortization of goodwill and remaining goodwill balance by reportable segment

December 31, 2011							
	Reportable Segment				Others	Adjustment	Total
	Domestic Beverages		Overseas Beverages	Pharmaceuticals and Biochemicals			
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages					
	(Millions of yen)						
Balance at the end of current period	**¥1,942**	**¥29,979**	**¥541,913**	**¥129,909**	**¥10,004**	**¥-**	**¥713,749**

Note: Information on amortization of goodwill is omitted since similar information is disclosed in the segment information.

Note: “Others” includes food business, such as seasonings, and others.

December 31, 2011

	Reportable Segment						
	Domestic Beverages						
	Domestic Alcohol Beverages	Domestic Non-alcohol Beverages	Overseas Beverages	Pharmaceuticals and Biochemicals	Others	Adjustment	Total
	(Thousands of U.S. dollars) (Note 1)						
Balance at the end of current period	**$24,980**	**$385,631**	**$6,970,838**	**$1,671,070**	**$128,685**	**$-**	**$9,181,232**

Note: Information on amortization of goodwill is omitted since similar information is disclosed in the segment information.

Note: "Others" includes food business, such as seasonings, and others.

6. Information regarding gain on negative goodwill by reportable segment

Disclosure is omitted since the aggregate value is immaterial.

For the years ended December 31, 2010 and 2009

(a) Business segment information

As of and for the Year ended December 31, 2010

	Alcohol Beverages	Soft Drinks and Foods	Pharma-ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	¥1,097,976	¥638,122	¥210,157	¥231,547	¥2,177,802	¥-	¥2,177,802
Less liquor taxes	341,484	-	-	1,043	342,527	-	342,527
Net sales	756,491	638,122	210,157	230,503	1,835,274	-	1,835,274
Inter-segment	35,271	6,186	208	36,417	78,083	(78,083)	-
Total sales	791,762	644,308	210,365	266,921	1,913,358	(78,083)	1,835,274
Operating expenses	677,701	633,202	171,420	258,222	1,740,546	(56,883)	1,683,662
Operating income	¥114,061	¥11,105	¥38,945	¥8,699	¥172,811	¥(21,199)	¥151,612
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	¥1,180,517	¥596,358	¥433,151	¥347,012	¥2,557,040	¥92,156	¥2,649,197
Depreciation and amortization	49,151	24,655	10,730	19,127	103,665	1,594	105,259
Loss on impairment	1,880	39,630	804	570	42,885	-	42,885
Capital expenditures	42,060	15,993	18,979	17,257	94,291	862	95,154

As of and for the Year ended December 31, 2009

	Alcohol Beverages	Soft Drinks and Foods	Pharma-ceuticals	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)						
1. Sales and operating income:							
Sales							
Unaffiliated customers	¥1,097,694	¥735,032	¥206,760	¥238,986	¥2,278,473	¥-	¥2,278,473
Less liquor taxes	358,517	-	-	1,225	359,743	-	359,743
Net sales	739,176	735,032	206,760	237,760	1,918,730	-	1,918,730
Inter-segment	35,639	5,760	622	32,227	74,250	(74,250)	-
Total sales	774,815	740,793	207,383	269,988	1,992,981	(74,250)	1,918,730
Operating expenses	672,014	733,693	173,048	266,134	1,844,891	(54,595)	1,790,295
Operating income	¥102,800	¥7,099	¥34,334	¥3,854	¥148,089	¥(19,654)	¥128,435
2. Assets, depreciation, loss on impairment and capital expenditures:							
Assets	¥1,305,175	¥661,590	¥421,781	¥372,036	¥2,760,582	¥100,611	¥2,861,194
Depreciation and amortization	48,441	27,716	10,913	17,036	104,107	1,766	105,874
Loss on impairment	28,265	5,838	4,290	111	38,507	336	38,843
Capital expenditures	51,853	17,816	17,152	18,418	105,239	13,008	118,248

Business segments are classified based on the business management framework in consideration of the type and nature of products.
Main products for each business segment are as follows:

Years ended December 31, 2010 and 2009

Business segment	Main products
Alcohol beverages	Beer, sparkling malt liquor (*happo-shu*), new genre, whiskey, spirits, wine, engineering, logistics and others
Soft drinks and Foods	Soft drinks, foods, health foods, and functional foods and others
Pharmaceuticals	Pharmaceutical products
Others	Biochemical, chemical and others

Unallocable operating expenses included in "Eliminations or Corporate" are as follows:

Year ended December 31, 2010	¥21,995 million, mainly consisting of ¥19,160 million for group administrative expenses due to the Company's transfer to a pure holding company and ¥2,834 million for research and development of basic technologies.
Year ended December 31, 2009	¥19,441 million, mainly consisting of ¥16,380 million for group administrative expenses due to the Company's transfer to a pure holding company and ¥3,060 million for research and development of basic technologies.

Corporate assets included in "Eliminations or Corporate" mainly consist of surplus funds (cash) and long-term investments (investment securities) of the Company, and assets which belong to the administrative department of the Company.

Year ended December 31, 2010	¥463,426 million
Year ended December 31, 2009	¥484,893 million

As described in Note 2 (1), the fiscal year-ends of Lion Nathan National Foods Pty Ltd ("LNNF"), National Foods Limited ("NFL") and its subsidiaries ("the companies") were changed from December 31 to September 30 from the consolidated year ended December 31, 2010.
To prepare the consolidated financial statements, financial statements of the companies as of September 30, 2010 were used because the difference between the Company's and the companies' year-ends does not exceed three months. However, the profit or loss of the companies for the period from October 1, 2009 to December 31, 2009 is not included in the Company's consolidated statement of income for the year ended December 31, 2011 because their profit or loss for that period was included in the Company's consolidated statement of income for the fiscal year ended December 31, 2009.
For the three months ended December 31, 2009, sales and operating income of the companies included in the "Soft Drinks and Foods" segment were ¥72,421 million and ¥4,311 million, respectively.

Changes in classification of business segment
In 2010, LNNF became a company managing all Oceania operations (NFL, LION NATHAN LTD. and their subsidiaries) including the "Alcohol Beverages" and "Soft Drinks and Foods" businesses on a unified basis. Consequently, the business segment to which LNNF belongs has changed from the "Soft Drinks and Foods" segment to the "Others" segment from the year ended December 31, 2010. As a result, operating income of the "Others" segment decreased by ¥4,815 million for the year ended December 31, 2010.

(b) Geographical segment information

	As of and for the Year ended December 31, 2010					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	¥1,724,529	¥393,297	¥59,975	¥2,177,802	¥-	¥2,177,802
Less liquor taxes	341,414	1,061	51	342,527	-	342,527
Net sales	1,383,114	392,235	59,924	1,835,274	-	1,835,274
Inter-segment	32,121	3,695	8,053	43,870	(43,870)	-
Total sales	1,415,236	395,931	67,978	1,879,145	(43,870)	1,835,274
Operating expenses	1,269,343	374,392	61,999	1,705,735	(22,072)	1,683,662
Operating income	¥145,892	¥21,539	¥5,978	¥173,410	¥(21,798)	¥151,612
2. Assets	¥1,562,732	¥910,803	¥85,828	¥2,559,364	¥89,832	¥2,649,197

	As of and for the Year ended December 31, 2009					
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
	(Millions of yen)					
1. Sales and operating income:						
Sales						
Unaffiliated customers	¥1,759,670	¥443,835	¥74,967	¥2,278,473	¥-	¥2,278,473
Less liquor taxes	358,437	1,237	67	359,743	-	359,743
Net sales	1,401,233	442,597	74,900	1,918,730	-	1,918,730
Inter-segment	26,020	3,596	8,283	37,900	(37,900)	-
Total sales	1,427,253	446,193	83,183	1,956,631	(37,900)	1,918,730
Operating expenses	1,318,135	415,142	75,892	1,809,170	(18,874)	1,790,295
Operating income	¥109,118	¥31,051	¥7,291	¥147,461	¥(19,025)	¥128,435
2. Assets	¥1,613,391	¥998,601	¥155,536	¥2,767,529	¥93,665	¥2,861,194

Geographical distances are considered in classification by country or area. Major countries or areas included in each segment except for Japan are as follows:

Asia, Oceania	East Asia, Southeast Asia, Oceania
Others	U.S.A., Europe*

* Europe is omitted in 2010

Amounts and major items included in "Eliminations or Corporate" are the same as those described in (a) Business segment information.

As described in Note 2 (1), the fiscal year-ends of Lion Nathan National Foods Pty Ltd ("LNNF"), National Foods Limited ("NFL") and its subsidiaries ("the companies") were changed from December 31 to September 30 from the consolidated year ended December 31, 2010.
To prepare the consolidated financial statements, financial statements of the companies as of September 30, 2010 were used because the difference between the Company's and the companies' year-ends does not exceed three months. However, the profit or loss of the companies for the period from October 1, 2009 to December 31, 2009 is not included in the Company's consolidated statement of income for the year ended December 31, 2010 because their profit or loss for that period was included in the Company's consolidated statement of income for the fiscal year ended December 31, 2009.
For the three months ended December 31, 2009, sales and operating income of the companies included in the "Asia / Oceania" segment were ¥72,421 million and ¥4,311 million, respectively.

(c) Overseas sales

	Year ended December 31, 2010		
	Asia / Oceania	Others	Total
	(Millions of yen)		
Overseas sales, net of liquor taxes	¥424,643	¥83,964	¥508,607
Consolidated sales, net of liquor taxes	-	-	1,835,274
Percentage of overseas sales to consolidated sales	23.1%	4.6%	27.7%

	Year ended December 31, 2009		
	Asia / Oceania	Others	Total
	(Millions of yen)		
Overseas sales, net of liquor taxes	¥467,644	¥94,996	¥562,640
Consolidated sales, net of liquor taxes	-	-	1,918,730
Percentage of overseas sales to consolidated sales	24.4%	5.0%	29.3%

Geographical distances are considered in classification by country or area. Major countries or areas included in each segment are as follows:

Asia, Oceania	East Asia, Southeast Asia, Oceania
Others	U.S.A., Europe*

* Europe is omitted in 2010

Overseas sales represent sales of the Company and its consolidated subsidiaries to countries and areas outside of Japan.

As described in Note 2 (1), the fiscal year-ends of Lion Nathan National Foods Pty Ltd ("LNNF"), National Foods Limited ("NFL") and its subsidiaries ("the companies") were changed from December 31 to September 30 from the consolidated year ended December 31, 2010.
To prepare the consolidated financial statements, financial statements of the companies as of September 30, 2010 were used because the difference between the Company's and the companies' year-ends does not exceed three months. However, the profit or loss of the companies for the period from October 1, 2009 to December 31, 2009 is not included in the Company's consolidated statement of income for the year ended December 31, 2010 because their profit or loss for that period was included in the Company's consolidated statement of income for the fiscal year ended December 31, 2009.
For the three months ended December 31, 2009, sales of the companies included in the "Asia/Oceania" and "Others" segment were ¥72,210 million and ¥150 million, respectively.

18. LEASE TRANSACTIONS

(a) Lessee - Finance leases

Finance leases, except for those leases under which the ownership of the leased assets is considered to be transferred to the lessee, whose inception dates were on or before December 31, 2008, are accounted for in the same manner as operating leases. The details are disclosed as follows:

(1) Purchase price equivalents, accumulated depreciation equivalents and book value equivalents of leased assets

	December 31,		December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Machinery, equipment and vehicles:			
Purchase price equivalents	**¥386**	¥1,173	**$4,965**
Accumulated depreciation equivalents	**316**	830	**4,064**
Book value equivalents	**70**	342	**900**
Other property, plant and equipment (tools and equipment):			
Purchase price equivalents	**2,775**	4,925	**35,695**
Accumulated depreciation equivalents	**1,991**	3,435	**25,611**
Book value equivalents	**783**	1,490	**10,072**
Other intangible assets:			
Purchase price equivalents	**1,754**	1,842	**22,562**
Accumulated depreciation equivalents	**1,083**	807	**13,931**
Book value equivalents	**670**	1,035	**8,618**
Total			
Purchase price equivalents	**4,916**	7,942	**63,236**
Accumulated depreciation equivalents	**3,391**	5,074	**43,619**
Book value equivalents	**¥1,524**	¥2,868	**$19,603**

(Note) Some consolidated subsidiaries calculated purchase price equivalents based on the inclusive-of-interest method.

(2) Lease commitments

	December 31,		December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Due within one year	**¥774**	¥1,308	**$9,956**
Due over one year	**835**	1,735	**10,740**
Total	**¥1,610**	¥3,044	**$20,710**

(Note) Some consolidated subsidiaries calculated lease commitments based on the inclusive-of-interest method.

(3) Lease expenses, depreciation equivalents and interest expense equivalents

	Year ended December 31,			Year ended December 31,
	2011	2010	2009	**2011**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Lease expenses	**¥1,201**	¥1,797	¥2,182	**$15,448**
Depreciation equivalents	**1,048**	1,528	1,893	**13,480**
Interest expense equivalents	**¥71**	¥100	¥143	**$913**

(4) Calculation method of depreciation equivalents

Depreciation equivalents are calculated using the straight-line method over the lease terms without residual value.

(5) Allocation of interest expense equivalents

Differences between total lease expenses and purchase price equivalents of the leased properties comprise interest expense equivalents and insurance, maintenance and certain other operating costs. Interest expense equivalents are allocated using the interest method over the lease terms.

(b) Lessee - Operating leases

The Company and its consolidated subsidiaries have lease commitments under non-cancelable operating leases as follows:

	December 31,		December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
As a lessee			
Due within one year	**¥5,772**	¥5,315	**$74,247**
Due over one year	**18,249**	22,887	**234,744**
Total	**¥24,021**	¥28,202	**308,991**
As a lessor			
Due within one year	**¥202**	¥200	**2,598**
Due over one year	**2,687**	2,903	**34,563**
Total	**¥2,890**	¥3,104	**$37,175**

19. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates at December 31, 2011 and 2010* were as follows:

	Year ended December 31,		Year ended December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Investment securities (Capital stock)	**¥290,672**	¥178,146	**$3,739,027**
Investments and other assets—other (Other than capital stock)	**¥1,656**	¥2,449	**$21,301**

*Figures for 2011 and 2010 include the cost of investment in jointly-controlled companies, amounting to ¥30,174 million ($388,139 thousand) and ¥27,634 million, respectively.

20. NET ASSETS

Under the Japanese Corporation Law (“the Law”) and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

21. NOTES TO THE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year ended December 31, 2011

1. Type and number of shares outstanding and treasury stock

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of December 31, 2010	965,000,000	3,010,208
Increase during the period ended December 31, 2011	-	504,922
Decrease during the period ended December 31, 2011	-	246,702
Number of shares as of December 31, 2011	965,000,000	3,268,428

Notes:

1. Increase in the number of treasury stock was due to the following reasons:
   - Purchases of less-than-one-unit shares: 344,922 shares
   - Purchases from opposing shareholders pursuant to Article 797, Paragraph (1) of the Japanese Corporate Law: 160,000 shares
2. Decrease in the number of treasury stock was due to the following reasons:
   - Sales of less-than-one-unit shares: 233,929 shares
   - Sales of treasury stock by unconsolidated subsidiaries accounted for by the equity method: 12,514 shares
   - Decrease due to exclusion of affiliated companies accounted for by the equity method: 259 shares

2. Subscription rights to shares and treasury subscription rights to shares

Description of subscription rights	Subscription rights as stock options
Type of shares for subscription rights	-
Number of shares for subscription rights	
Number of shares as of December 31, 2010	-
Increase during the period ended December 31, 2011	-
Decrease during the period ended December 31, 2011	-
Number of shares as of December 31, 2011	-
Amount outstanding as of December 31, 2011	¥250 million ($3,215 thousand)

3. Matters related to dividends

(1) Dividend payments

Approvals by ordinary general meeting of shareholders held on March 29, 2011 were as follows:

Dividend on common stock

a. Total amount of dividend	¥12,025 million ($154,682 thousand)
b. Dividend per share	¥12.50
c. Record date	December 31, 2010
d. Effective date	March 30, 2011

Approvals by the Board of Directors meeting on August 5, 2011 were as follows:

Dividend on common stock

a. Total amount of dividend	¥12,984 million ($167,018 thousand)
b. Dividend per share	¥13.50
c. Record date	June 30, 2011
d. Effective date	September 5, 2011

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2011 but to be effective after the accounting period

The Company received the approval at the general meeting of shareholders held on March 29, 2012 as follows:

Dividend on common stock

a. Total amount of dividend	¥12,983 million ($167,005 thousand)
b. Funds for dividend	Retained earnings
c. Dividend per share	¥13.50
d. Record date	December 31, 2011
e. Effective date	March 30, 2012

Year ended December 31, 2010

1. Type and number of shares outstanding and treasury stock

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of December 31, 2009	984,508,387	31,167,235
Increase during the period ended December 31, 2010	9,257,164	739,822
Decrease during the period ended December 31, 2010	28,765,551	28,896,849
Number of shares as of December 31, 2010	965,000,000	3,010,208

Notes:

1. Increase in the number of shares was due to the issuance of new shares in connection with share exchange.
2. Decrease in the number of shares was due to retirement of treasury stock pursuant to Article 178 of the Japanese Corporate Law.
3. Increase in the number of treasury stock was due to the following reasons:
   - Purchases of less-than-one-unit shares: 727,308 shares
   - Acquisition of treasury stock by unconsolidated subsidiaries accounted for by equity method due to share exchange: 12,514 shares
4. Decrease in the number of treasury stock was due to the following reasons:
   - Retirement of treasury stock pursuant to Article 178 of the Japanese Corporate Law: 28,765,551 shares
   - Sales of less-than-one-unit shares: 131,298 shares

2. Subscription rights to shares and treasury subscription rights to shares

Description of subscription rights	Subscription rights as stock options
Type of shares for subscription rights	-
Number of shares for subscription rights	
Number of shares as of December 31, 2009	-
Increase during the period ended December 31, 2010	-
Decrease during the period ended December 31, 2010	-
Number of shares as of December 31, 2010	-
Amount outstanding as of December 31, 2010	¥207 million

3. Matters related to dividends

(1) Dividend payments

Approvals by ordinary general meeting of shareholders held on March 26, 2010 were as follows:

Dividend on Common stock

a. Total amount of dividend	¥10,963 million
b. Dividend per share	¥11.50
c. Record date	December 31, 2009
d. Effective date	March 29, 2010

Approvals by the Board of Directors meeting on August 16, 2010 were as follows:
Dividend on Common stock

a. Total amount of dividend	¥11,915 million
b. Dividend per share	¥12.50
c. Record date	June 30, 2010
d. Effective date	September 6, 2010

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2010 but to be effective after the accounting period
The Company received the approval at the general meeting of shareholders held on March 29, 2011 as follows:
Dividend on Common stock

a. Total amount of dividend	¥12,025 million
b. Funds for dividend	Retained earnings
c. Dividend per share	¥12.50
d. Record date	December 31, 2010
e. Effective date	March 30, 2011

Year ended December 31, 2009

1. Type and number of shares outstanding and treasury stock

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of December 31, 2008	984,508,387	30,157,914
Increase during the period ended December 31, 2009	-	1,214,018
Decrease during the period ended December 31, 2009	-	204,697
Number of shares as of December 31, 2009	984,508,387	31,167,235

Notes:
1. Increase in the number of shares was due to purchases of less-than-one-unit shares.
2. Decrease in the number of shares was due to sales of less-than-one-unit shares.

2. Subscription rights to shares and treasury subscription rights to shares

Description of subscription rights	Subscription rights as stock options
Type of shares for subscription rights	-
Number of shares for subscription rights	
Number of shares as of December 31, 2008	-
Increase during the period ended December 31, 2009	-
Decrease during the period ended December 31, 2009	-
Number of shares as of December 31, 2009	-
Amount outstanding as of December 31, 2009	¥196 million

3. Matters related to dividends
(1) Dividend payments
Approvals by ordinary general meeting of shareholders held on March 26, 2009 were as follows:
Dividend on Common stock

a. Total amount of dividend	¥10,975 million
b. Dividend per share	¥11.50
c. Record date	December 31, 2008
d. Effective date	March 27, 2009

Approvals by the Board of Directors meeting on August 6, 2009 were as follows:
Dividend on Common stock

a. Total amount of dividend	¥10,973 million
b. Dividend per share	¥11.50
c. Record date	June 30, 2009
d. Effective date	September 7, 2009

(2) Dividends whose record date is attributable to the accounting period ended December 31, 2009 but to be effective after the accounting period
The Company received the approval at the general meeting of shareholders held on March 26, 2010 as follows:
Dividend on Common stock

a. Total amount of dividend	¥10,963 million
b. Funds for dividend	Retained earnings
c. Dividend per share	¥11.50
d. Record date	December 31, 2009
e. Effective date	March 29, 2010

22. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash

Reconciliation of cash in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows is as follows:

	December 31,			December 31,
	2011	2010	2009	**2011**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Cash	**¥76,218**	¥51,463	¥125,558	**$980,421**
Marketable securities	**6,352**	530	128	**81,708**
Fixed term deposits over 3 months	**(5,606)**	(6,512)	(6,672)	**(72,112)**
Equity securities and bonds, etc. with maturities exceeding 3 months	**(6,117)**	(200)	(128)	**(78,685)**
Short-term loans payable (bank overdraft)	**-**	(3)	(87)	**-**
Cash and cash equivalents	**¥70,847**	¥45,278	¥118,797	**$911,332**

(b) Assets and liabilities of subsidiaries excluded from the scope of consolidation

Assets and liabilities of subsidiaries at the time they were excluded from the scope of consolidation, related sale price of shares and proceeds (net) from sale of shares are as follows:

	December 31,			December 31,
	2011	2010	2009	**2011**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Current assets	**¥56,348**	¥7,337	¥2,796	**$724,826**
Non-current assets	**55,765**	6,719	5,927	**717,326**
Current liabilities	**(59,255)**	(5,682)	(1,095)	**(762,220)**
Non-current liabilities	**(8,580)**	(1,137)	(716)	**(110,367)**
Valuation difference on available-for-sale securities	**-**	-	(15)	**-**
Foreign currency translation adjustments	**1,990**	693	548	**25,598**
Minority interest	**(89)**	(463)	-	**(1,144)**
Net gain on sale of shares	**9,539**	(6,216)	346	**122,703**
Sales price of shares	**55,718**	1,250	7,791	**716,722**
Collection of loans receivable	**20,700**	-	-	**266,272**
Accounts receivable	**(417)**	(398)	-	**(5,364)**
Cash and cash equivalents of companies excluded from the scope of consolidation	**(5,577)**	(126)	(1,729)	**(71,739)**
Proceeds from sales of shares of subsidiaries excluded from the scope of consolidation	**¥70,423**	¥726	¥6,061	**$905,878**

(c) Assets and liabilities of newly consolidated subsidiaries by acquisition of shares

Assets and liabilities of newly consolidated subsidiaries by acquisition of shares at the inception of their consolidation, related acquisition cost and net expenditure for acquisition of shares are as follows:

	December 31,			December 31,
	2011	2010	2009	**2011**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Current assets	**¥62,106**	¥-	¥-	**$798,893**
Non-current assets	**153,514**	-	-	**1,974,710**
Goodwill	**214,640**	-	-	**2,760,998**
Current liabilities	**(63,797)**	-	-	**(820,645)**
Non-current liabilities	**(63,180)**	-	-	**(812,709)**
Foreign currency translation adjustments	**44,288**	-	-	**569,693**
Minority interest	**(121)**	-	-	**(1,556)**
Acquisition cost of shares	**347,449**	-	-	**4,469,372**
Cash and cash equivalents of the acquired companies	**(3,094)**	-	-	**(39,799)**
Payment for acquisition of shares of newly consolidated subsidiaries	**¥344,355**	¥-	¥-	**$4,429,572**

23. INCOME TAXES

Significant components of deferred tax assets and liabilities as of December 31, 2011 and 2010 were as follows:

	December 31,		December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Deferred tax assets:			
Employees' pension and retirement benefits	**¥23,018**	¥26,929	**$296,089**
Depreciation	**15,565**	21,347	**200,218**
Loss carried forward	**45,878**	11,779	**590,146**
Loss on impairment of fixed assets	**5,397**	-	**69,423**
Deemed dividend	**8,455**	9,243	**108,759**
Long-term accrued expenses	**5,595**	6,624	**71,970**
Deferred charges	**5,267**	5,593	**67,751**
Other	**76,224**	85,941	**980,499**
Sub-total	**185,402**	167,460	**2,384,898**
Less valuation allowance	**(72,742)**	(44,690)	**(935,708)**
Total deferred tax assets	**112,660**	122,769	**1,449,189**
Deferred tax liabilities:			
Adjustment of book value based on fair value	**(21,912)**	(24,808)	**(281,862)**
Net unrealized gains on securities	**(5,812)**	(7,284)	**(74,762)**
Depreciation of foreign subsidiaries	**-**	(6,502)	**-**
Reserve for deferred gains on sale of property	**(10,843)**	(12,842)	**(139,477)**
Revaluation of property of foreign subsidiaries	**(15,780)**	**-**	**(202,984)**
Other	**(11,591)**	(19,302)	**(149,099)**
Total deferred tax liabilities	**(65,940)**	(70,739)	**(848,211)**
Net deferred tax assets	**46,719**	52,029	**600,964**
Deferred tax asset due to land revaluation:			
Deferred tax asset due to land revaluation	**540**	617	**6,946**
Less valuation allowance	**(540)**	(617)	**(6,946)**
Total deferred tax asset due to land revaluation	-	-	-
Deferred tax liability due to land revaluation:			
Deferred tax liability due to land revaluation	**(1,286)**	(1,471)	**(16,542)**
Net deferred tax liability due to land revaluation	**¥(1,286)**	¥(1,471)	**$(16,542)**

Deferred tax assets and liabilities were included in the consolidated balance sheets as of December 31, 2011 and 2010 as follows:

	December 31,		December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Current assets — Deferred tax assets	**¥26,303**	¥27,598	**$338,345**
Non-current assets — Deferred tax assets	**42,234**	45,916	**543,272**
Current liabilities — Other	**(6)**	(16)	**(77)**
Non-current liabilities — Deferred tax liabilities	**¥(21,811)**	¥(21,468)	**$(280,563)**

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), Japanese corporation tax rates will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these revisions, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.7% to 38.0% for temporary differences which are expected to reverse during the period from the fiscal year beginning on January 1, 2013 to the fiscal year beginning on January 1, 2015. Similarly, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.7% to 35.6% for temporary differences which are expected to reverse from the fiscal years beginning on or after January 1, 2016.

As a result of this change, net deferred tax assets (after netting deferred tax liabilities) decreased by ¥505 million ($6,496 thousand), and income taxes - deferred, net unrealized gains on securities and land revaluation difference increased by ¥1,038 million ($13,352 thousand), ¥423 million ($5,441 thousand) and ¥109 million ($1,402 thousand), respectively.

The following table summarizes significant differences between the statutory tax rate and the effective tax rate for the years ended December 31, 2011, 2010 and 2009:

	2011	2010	2009
	(%)	(%)	(%)
Statutory tax rate	**40.7**	40.7	40.7
Adjustments			
Permanent difference - expenses	**7.1**	5.0	4.0
Permanent difference - gross revenue	-	(2.3)	-
Dividends received from foreign subsidiaries eliminated in consolidation	-	-	9.7
Amortization of intangible assets	**22.7**	22.0	13.3
Loss on impairment of intangible assets	-	18.0	-
Change in valuation allowance	**14.1**	4.2	(9.9)
Equity in earnings of affiliates	**(5.1)**	(4.8)	(3.9)
Gain on negative goodwill	-	(3.8)	-
Difference in tax rate between the Company and its consolidated subsidiaries	**-**	-	(7.6)
Retained earnings of foreign subsidiaries	-	-	(6.7)
Tax credits	**(5.2)**	(5.6)	(6.8)
Others	**(1.7)**	(1.4)	(1.6)
Effective tax rate	**72.6**	72.0	31.2

24. FINANCIAL INSTRUMENTS

Effective from the year ended December 31, 2010, the Company has applied the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 of March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 of March 10, 2008).

1. Matters related to financial instruments

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risks

Trade receivables, such as trade notes and accounts receivable, are exposed to customer credit risk. Trade receivables denominated in foreign currencies arising from global business development are exposed to foreign currency exchange risk. Marketable securities and investment securities, which mainly consist of stocks issued by companies with which the Company and its consolidated subsidiaries have business relationships, are exposed to market risk.
Substantially all trade payables, such as trade notes and accounts payables, have payment due dates within one year. Some trade payables denominated in foreign currencies arising from import of raw materials are exposed to foreign currency exchange risk.
The purpose of short-term loans payable and commercial papers is mainly to fund short-term working capital and the purpose of long-term debt and loans is mainly to the fund necessary amount for investments and long-term working capital. Some loans payable bear variable interest rates and are exposed to interest rate fluctuation risk.
Regarding derivatives, the Company and its consolidated subsidiaries enter into forward foreign exchange contracts and currency swaps for the purpose of hedging foreign currency exchange risk deriving from trade receivables and payables denominated in foreign currencies and loans to group companies, and interest rate swaps, interest rate cap contracts and interest rate floor contracts for the purpose of hedging interest rate fluctuation risk deriving from interest payments on debt. Please refer to Note 2 (25) for hedging instruments and hedged items, hedging policy and method to evaluate hedging effectiveness.

(3) Risk management for financial instruments

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

(b) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)
Regarding trade receivables and payables denominated in foreign currencies, the Company and its consolidated subsidiaries generally utilize forward foreign exchange contracts to hedge the foreign currency exchange risks identified for each currency on a monthly basis. Currency swaps are utilized to mitigate interest rate risk on loans denominated in foreign currencies which are made to foreign subsidiaries. In addition, interest rate swaps, interest rate cap contracts and interest rate floor contracts are utilized to mitigate interest rate fluctuation risk deriving from interest payments on debt.
For marketable securities and investment securities, the Company and its consolidated subsidiaries periodically review their fair values and the financial position of the issuers. Additionally, the Company and its consolidated subsidiaries continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.
In conducting and managing derivative transactions, the division in charge of each derivative transaction follows the internal management policies, which define delegation of authority and position limits. Actual transaction data are regularly reported to the Director of Financial Division.

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

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price. When no quoted market price is available, fair value is reasonably estimated. Since various variable assumptions are reflected in estimating the fair value, different assumptions could result in different fair values. In addition, the notional amounts of derivatives as stated at 2 below do not reflect the actual market risk exposure involved in derivative transactions.

2. Fair values of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet as of December 31, 2011 and 2010, their fair values, and their differences. Financial instruments whose fair values are deemed extremely difficult to assess are not included.

	December 31, 2011					
	Book value	Fair value	Difference	Book value	Fair value	Difference
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
ASSETS						
(1) Cash	**¥76,218**	**¥76,218**	**¥-**	**$980,421**	**$980,421**	**$-**
(2) Notes and accounts receivable, trade	**406,448**	**406,448**	**-**	**5,228,299**	**5,228,299**	**-**
(3) Marketable and investment securities						
a. Held-to-maturity debt securities	**310**	**312**	**2**	**3,987**	**4,013**	**25**
b. Equity securities issued by affiliates	**205,213**	**471,978**	**266,765**	**2,639,735**	**6,071,237**	**3,431,502**
c. Available-for-sale securities	**113,247**	**113,247**	**-**	**1,456,740**	**1,456,740**	**-**
TOTAL ASSETS	**801,438**	**1,068,206**	**266,767**	**10,309,210**	**13,740,751**	**3,431,528**
LIABILITIES						
(1) Notes and accounts payable, trade	**146,955**	**146,955**	**-**	**1,890,339**	**1,890,339**	**-**
(2) Short-term loans payable and long-term debt with current maturities	**85,517**	**85,517**	**-**	**1,100,038**	**1,100,038**	**-**
(3) Commercial papers	**121,989**	**121,989**	**-**	**1,569,192**	**1,569,192**	**-**
(4) Bonds due within one year	**23,111**	**23,300**	**188**	**297,285**	**299,717**	**2,418**
(5) Liquor taxes payable	**91,800**	**91,800**	**-**	**1,180,859**	**1,180,859**	**-**
(6) Income taxes payable	**26,783**	**26,783**	**-**	**344,520**	**344,520**	**-**
(7) Bonds	**365,487**	**377,803**	**12,316**	**4,701,402**	**4,859,827**	**158,425**
(8) Long-term debt	**468,999**	**473,735**	**4,736**	**6,032,917**	**6,093,838**	**60,921**
TOTAL LIABILITIES	**1,330,644**	**1,347,886**	**17,241**	**17,116,593**	**17,338,384**	**221,777**
Derivative transactions (*)	**¥(5,733)**	**¥(5,733)**	**¥-**	**$(73,745)**	**$(73,745)**	**$-**

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

Notes:

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

Assets

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

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

(3) Marketable securities and investment securities

The fair values of equity securities are measured based on quoted market prices. The fair values of bond securities are measured by the prices obtained from financial institutions, etc. Please refer to Note 16 for matters relating to securities by holding purpose.

Liabilities

(1) Notes and accounts payable, trade, (2) Short-term loans payable and long-term debt with current maturities, (3) Commercial papers, (5) Liquor taxes payable, and (6) Income taxes payable

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

(4) Bonds due within one year and (7) Bonds

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

(8) Long-term debt

The fair value of long-term debt is measured as the present value, calculated by discounting the combined total of principal and interest by an assumed interest rate for similar new borrowings. However, for long-term debt which is the hedged item for interest rate swaps and certain hedging criteria are met, the present value of the combined total of principal and interest is discounted by using the rates of relevant interest rate swaps. For long-term debt to which derivative transactions for which appropriation treatment has been applied, the combined total of principal and interest considered as the yen-denominated fixed interest borrowing.

	December 31, 2010		
	Book value	Fair value	Difference
	(Millions of yen)		
ASSETS			
(1) Cash	¥51,463	¥51,463	¥-
(2) Notes and accounts receivable, trade	415,268	415,268	-
(3) Marketable and investment securities			
a. Held-to-maturity debt securities	510	516	6
b. Equity securities issued by affiliates	135,370	420,568	285,197
c. Available-for-sale securities	225,721	225,721	-
TOTAL ASSETS	828,334	1,113,537	285,203
LIABILITIES			
(1) Notes and accounts payable, trade	169,036	169,036	-
(2) Short-term loans payable and long-term debt with current maturities	181,786	181,786	-
(3) Commercial papers	10,999	10,999	-
(4) Bonds due within one year	3,361	3,487	125
(5) Liquor taxes payable	92,553	92,553	-
(6) Income taxes payable	26,544	26,544	-
(7) Bonds	320,070	331,545	11,474
(8) Long-term debt	262,720	266,240	3,519
TOTAL LIABILITIES	1,067,072	1,082,192	15,119
Derivative transactions (*)	¥ (11,017)	¥ (11,017)	¥-

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

Notes:

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

Assets

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

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

(3) Marketable securities and investment securities

The fair values of equity securities are measured based on quoted market prices. The fair values of bond securities are measured by the prices obtained from financial institutions. Please refer to Note 16 for matters relating to securities by holding purpose.

Liabilities

(1) Notes and accounts payable, trade, (2) Short-term loans payable and long-term debt with current maturities, (3) Commercial papers, (5) Liquor taxes payable, and (6) Income taxes payable

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

(4) Bonds due within one year and (7) Bonds

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

(8) Long-term debt

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

Derivative transactions

Please refer to Note 25 below.

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

Classification	December 31, 2011	December 31, 2010	December 31, 2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Investment securities			
a. Unlisted equity securities (Equity securities issued by affiliates and others)	**¥85,459**	¥42,775	**$1,099,292**
b. Unlisted equity securities (Other securities)	**19,709**	24,502	**253,524**
c. Other	**31**	33	**398**
Investment and other assets - other			
Investments in equity of affiliates and others	**1,656**	-	**21,301**
Guarantee deposits received	**¥73,222**	¥73,663	**$941,883**

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

3. Redemption schedules for monetary receivables and marketable securities with maturities as of December 31, 2011 and 2010 are as follows:

2011	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
Cash and time deposits	**¥76,218**	**¥-**	**¥-**	**¥-**	**$980,421**	**$-**	**$-**	**$-**
Notes and accounts receivable, trade	**406,448**	**-**	**-**	**-**	**5,228,299**	**-**	**-**	**-**
Marketable and investment securities								
Held-to-maturity debt securities								
Governmental/municipal bonds	**200**	**110**	**-**	**-**	**2,572**	**1,414**	**-**	**-**
Available-for-sale securities with maturity								
Debt securities (others)	**2,647**	**2,163**	**-**	**-**	**34,049**	**27,823**	**-**	**-**
Others	**756**	**331**	**-**	**-**	**9,724**	**4,257**	**-**	**-**
TOTAL	**¥486,271**	**¥2,604**	**¥-**	**¥-**	**$6,255,093**	**$33,496**	**$-**	**$-**

2010	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	(Millions of yen)			
Cash and time deposits	¥51,463	¥-	¥-	¥-
Notes and accounts receivable, trade	415,268	-	-	-
Marketable and investment securities				
Held-to-maturity debt securities				
Governmental/municipal bonds	200	310	-	-
TOTAL	¥466,932	¥310	¥-	¥-

4. Please refer to Note 3 for the aggregate annual maturities of long-term debt, bonds and finance lease obligation at December 31, 2011 and 2010.

25. DERIVATIVE TRANSACTIONS

1. Notional amount and fair value of derivative transactions for which hedge accounting has not been applied for the years ended December 31, 2011 and 2010 are summarized as follows:

Currency-related transactions

		December 31, 2011							
Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
Non-market transactions	Foreign exchange forward contracts								
	Sell								
	US dollar	**¥2,727**	**¥-**	**¥(2)**	**¥(2)**	**$35,078**	**$-**	**$(25)**	**$(25)**
	Euro	**1,309**	**-**	**47**	**47**	**16,838**	**-**	**604**	**604**
	Buy								
	US dollar	**604**	**-**	**57**	**57**	**7,769**	**-**	**733**	**733**
	Euro	**106**	**-**	**4**	**4**	**1,363**	**-**	**51**	**51**
	Currency swap								
	Receive yen, pay US dollar	**7,774**	**-**	**2**	**2**	**100,000**	**-**	**25**	**25**
	Receive yen, pay GBP	**7,129**	**-**	**43**	**43**	**91,703**	**-**	**553**	**553**
	Receive US dollar pay BRL	**3,781**	**-**	**350**	**350**	**48,636**	**-**	**4,502**	**4,502**
Total		**¥23,433**	**¥-**	**¥501**	**¥501**	**$301,427**	**$-**	**$6,444**	**$6,444**

Fair value is based on the prices obtained from forward exchange market or financial institutions.

		December 31, 2010			
Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		(Millions of yen)			
Non-market transactions	Foreign exchange forward contracts				
	Sell				
	US dollar	¥3,229	¥-	¥60	¥60
	Euro	2,155	-	58	58
	Currency swap				
	Receive yen, pay Australian dollar	17,203	-	(1,301)	(1,301)
	Receive yen, pay US dollar	3,006	-	74	74
Total		¥25,595	¥-	¥(1,106)	¥(1,106)

Fair value is based on the prices obtained from forward exchange market or financial institutions.

Interest-rate related transactions

Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		December 31, 2011							
		(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
Non-market transactions	Interest rate swap Receive fixed, pay floating	**¥888**	**¥-**	**¥7**	**¥7**	**$11,422**	**$-**	**$90**	**$90**
	Receive floating, pay fixed	**888**	**-**	**(8)**	**(8)**	**11,422**	**-**	**(102)**	**(102)**
Total		**¥1,777**	**¥-**	**¥(1)**	**¥(1)**	**$22,858**	**$-**	**$(12)**	**$(12)**

Fair value is based on the prices obtained from financial institutions.

Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		December 31, 2010			
		(Millions of yen)			
Non-market transactions	Interest rate swap Receive fixed, pay floating	¥931	¥931	¥32	¥32
	Receive floating, pay fixed	931	931	(39)	(39)
Total		¥1,862	¥1,862	¥(7)	¥(7)

Fair value is based on the prices obtained from financial institutions.

Commodity-related transactions

Classification	Type of transaction	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)	Notional amount	Portion due after one year included therein	Fair value	Unrealized gain (loss)
		December 31, 2011							
		(Millions of yen)				(Thousands of U.S. dollars) (Note 1)			
Non-market transactions	Commodity swap Receive floating, pay fixed	**¥751**	**¥-**	**¥(196)**	**¥(196)**	**$9,660**	**$-**	**$(2,521)**	**$(2,521)**
Total		**¥751**	**¥-**	**¥(196)**	**¥(196)**	**$9,660**	**$-**	**$(2,521)**	**$(2,521)**

Fair value is based on the prices obtained from financial institutions.

2. The notional amount and fair value of derivative transactions for which hedge accounting has been applied are summarized as follows:

Currency-related transactions

		December 31, 2011					
Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair value	Notional amount	Portion due after one year included therein	Fair value
		(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
Derivative transactions for which deferral hedge accounting has been applied							
Foreign exchange forward contracts	Future transactions in foreign currency						
Sell							
NZ dollar		**¥9,762**	**¥-**	**¥103**	**$125,572**	**$-**	**$1,324**
GBP		**722**	**-**	**(23)**	**9,287**	**-**	**(295)**
Australian dollar		**686**	**-**	**19**	**8,824**	**-**	**244**
US dollar		**644**	**-**	**23**	**8,284**	**-**	**295**
Other		**569**	**-**	**(0)**	**7,319**	**-**	**(0)**
Buy							
US dollar		**11,260**	**955**	**15**	**144,841**	**$12,284**	**192**
Euro		**4,254**	**550**	**(56)**	**54,720**	**7,074**	**(720)**
Currency swap	Debt and bonds						
Receive US dollar, pay Australian dollar		**27,830**	**23,308**	**(7,571)**	**357,988**	**299,819**	**(97,388)**
Receive yen, pay Australian dollar		**25,704**	**25,704**	**4,854**	**330,640**	**330,640**	**62,438**
Derivative transactions for which appropriation treatment has been applied							
Foreign exchange forward contracts	Payables						
Buy							
US dollar		**46**	**-**	**Note 2**	**591**	**-**	**Note 2**
Currency swap	Long-term debt						
Receive US dollar, pay yen		**90,000**	**90,000**	**Note 3**	**1,157,705**	**1,157,705**	**Note 3**
TOTAL		**¥171,482**	**¥140,519**	**¥(2,635)**	**$2,205,839**	**$1,807,550**	**$(33,895)**

Note: 1. Fair value is based on the prices obtained from forward exchange market or financial institutions.

2. Foreign exchange forward contracts for which appropriation treatment has been applied are accounted for together with payables designated as the hedged item. Therefore, their fair values are included in the fair value of the hedged payables.

3. Foreign exchange forward contracts for which appropriation treatment has been applied are accounted for together with long-term debt designated as a hedged item, therefore, their fair values are included in the fair value of the hedged long-term debt.

Type of transaction	Hedged item	Notional amount	Portion due after one year included therein	Fair value
		December 31, 2010		
		(Millions of yen)		
Derivative transactions for which deferral hedge accounting has been applied				
Foreign exchange forward contracts	Future transactions in foreign currency			
Sell				
US dollar		¥216	¥-	¥26
Euro		28	-	0
Australian dollar		341	62	(9)
GBP		726	-	25
Other		630	-	39
Buy				
US dollar		8,397	2,022	(782)
Euro		2,724	185	(179)
Other		113	-	(3)
Currency swap	Debt and bonds			
Receive US dollar, pay Australian dollar		35,055	30,155	(9,196)
Receive yen, pay Australian dollar		27,851	27,851	3,053
Derivative transactions for which appropriation treatment has been applied				
Foreign exchange forward contracts	Receivables and payables			
Sell				
US dollar		1,007	-	Note 2
Euro		78	-	Note 2
Buy				
Euro		4	-	Note 2
TOTAL		¥77,178	¥60,277	¥(7,026)

Note: 1. Fair value is based on the prices obtained from forward exchange market or financial institutions.

2. Foreign exchange forward contracts for which appropriation treatment has been applied are accounted for together with receivables and payables designated as the hedged item, therefore, their fair values are included in the fair value of the hedged receivables and payables.

Interest-rate related transactions

Type of transaction	Hedged item	December 31, 2011 Notional amount	Portion due after one year included therein	Fair value	Notional amount	Portion due after one year included therein	Fair value
		(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
Derivative transactions for which deferral hedge accounting has been applied							
Interest rate swap	Debt and bonds						
Receive floating, pay fixed		**¥70,297**	**¥57,889**	**¥(3,057)**	**$904,257**	**$744,648**	**$(39,323)**
Interest rate cap							
Buy		**5,923**	**5,923**	**0**	**76,189**	**76,189**	**0**
Interest rate floor							
Sell		**5,923**	**5,923**	**(391)**	**76,189**	**76,189**	**(5,029)**
Derivative transactions for which special treatment has been applied							
Interest rate swap	Long-term debt						
Receive floating, pay fixed		**295,794**	**265,697**	**Note 2**	**3,804,913**	**3,417,764**	**Note 2**
TOTAL		**¥377,939**	**¥335,433**	**¥(3,448)**	**$4,861,577**	**$4,314,805**	**$(44,352)**

Note: 1. Fair value is based on the prices obtained from financial institutions.
2. Interest rate swaps for which special treatment has been applied are accounted for together with long-term debt designated as the hedged item, therefore, their fair values are included in the fair value of the hedged long-term debt.

Type of transaction	Hedged item	December 31, 2010 Notional amount	Portion due after one year included therein	Fair value
		(Millions of yen)		
Derivative transactions for which deferral hedge accounting has been applied				
Interest rate swap	Debt and bonds			
Receive floating, pay fixed		¥81,840	¥75,966	¥(2,538)
Interest rate cap				
Buy		6,208	-	1
Interest rate floor				
Sell		6,208	-	(475)
Derivative transactions for which special treatment has been applied				
Interest rate swap	Long-term debt			
Receive floating, pay fixed		106,405	95,803	Note 2
TOTAL		¥200,663	¥171,770	¥(3,012)

Note: 1. Fair value is based on the prices obtained from financial institutions.
2. Interest rate swaps for which special treatment has been applied are accounted for together with long-term debt designated as the hedged item, therefore, their fair values are included in the fair value of the hedged long-term debt.

Commodity-related transactions

Type of transaction	Hedged item	December 31, 2011 Notional amount	Portion due after one year included therein	Fair value	Notional amount	Portion due after one year included therein	Fair value
		(Millions of yen)			(Thousands of U.S. dollars) (Note 1)		
Derivative transactions for which deferral hedge accounting has been applied							
Commodity swap Receive floating, pay fixed	Sugar	**¥82**	**¥-**	**¥46**	**$1,054**	**$-**	**$591**
TOTAL		**¥82**	**¥-**	**¥46**	**$1,054**	**$-**	**$591**

Note:1. Fair value is based on the prices obtained from financial institutions.

Type of transaction	Hedged item	December 31, 2010 Notional amount	Portion due after one year included therein	Fair value
		(Millions of yen)		
Derivative transactions for which deferral hedge accounting has been applied				
Commodity swap Receive floating, pay fixed	Sugar, etc.	¥765	¥89	¥135
TOTAL		¥765	¥89	¥135

Note:1. Fair value is based on the prices obtained from financial institutions.

26. EMPLOYEES' PENSION AND RETIREMENT BENEFITS

The Company and its consolidated domestic subsidiaries provide four types of contributory defined benefit plans, namely: lump-sum severance payment plan; defined benefit corporate pension plan; employees' pension fund plan; and tax-qualified pension plan. The Company and several consolidated subsidiaries provide defined contribution plans and/or defined benefit plans. Extra payments may be added upon retirement of employees.

(a) Liabilities for employees' pension and retirement benefits

The liabilities for employees' pension and retirement benefits included in the liability section of the consolidated balance sheets as of December 31, 2011 and 2010 consisted of the following:

	December 31, **2011**	December 31, 2010	December 31, **2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Projected benefit obligation	**¥(298,939)**	¥(295,017)	**$(3,845,369)**
Fair value of plan assets	**182,230**	190,856	**2,344,095**
Unfunded pension obligation	**(116,708)**	(104,160)	**(1,501,260)**
Unrecognized actuarial differences	**59,262**	46,545	**762,310**
Unrecognized prior service cost (deduction of obligation)	**(1,248)**	(1,600)	**(16,053)**
Net amount	**(58,693)**	(59,215)	**(754,990)**
Prepaid pension cost	**6,822**	7,667	**87,754**
Employees' pension and retirement benefits	**¥(65,516)**	¥(66,882)	**$(842,757)**

A number of consolidated subsidiaries calculated projected benefit obligations using a simplified method.

(b) Employees' pension and retirement benefits expenses

The employees' pension and retirement benefit expenses included in the consolidated statements of income for the years ended December 31, 2011, 2010 and 2009 consisted of the following:

	For the year ended December 31,			Year ended December 31,
	2011	2010	2009	**2011**
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
Service cost	**¥9,519**	¥12,683	¥12,169	**$122,446**
Interest cost	**7,015**	7,366	7,435	**90,236**
Expected return on plan assets	**(4,948)**	(5,140)	(4,729)	**(63,648)**
Amortization of actuarial differences	**7,014**	6,932	9,452	**90,223**
Amortization of prior service cost	**(327)**	(323)	(447)	**(4,206)**
Premium for defined contribution pension plans	**4,128**	4,652	1,234	**53,100**
Employees' pension and retirement benefit expenses	**22,401**	26,170	25,115	**288,152**
Loss on revision of retirement benefit plan	**-**	7,226	-	**-**
Total	**¥22,401**	¥33,397	¥25,115	**$288,152**

Employees' contribution to the defined benefit corporate pension plan and others is excluded for the years ended December 31, 2011, 2010 and 2009. Employees' pension and retirement benefit expenses of consolidated subsidiaries calculated using a simplified method are included for the years ended December 31, 2011, 2010 and 2009.

In addition to the above employees' pension and retirement benefit expenses, additional employees' retirement benefits and others were recognized as "Business restructuring expense" in special expenses, amounting to ¥973 million ($12,516 thousand), ¥3,502 million and ¥ 1,363 million for the years ended December 31, 2011, 2010 and 2009, respectively, and as "Other" in special expenses amounting to ¥1,509 million ($19,410 thousand) for the year ended December 31, 2011. In addition, income on the partial termination of retirement plan of certain subsidiaries and others were recognized as "Other" in special income amounting to ¥480 million ($6,174 thousand) for the year ended December 31, 2011.

For the year ended December 31, 2010, loss on revision of retirement plan was recognized mainly due to the partial abolishment of the lump-sum severance payment plan of the Company and its consolidated subsidiaries.

Assumptions used for the years ended December 31, 2011, 2010 and 2009 were as follows:

	December 31,		
	2011	2010	2009
Discount rate	**Mainly 1.7-2.5%**	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	**Mainly 2.5%**	Mainly 2.5%	Mainly 2.5%
Amortization of unrecognized prior service cost	**Mainly 5-15 years**	Mainly 5-15 years	Mainly 5-15 years
Amortization of unrecognized actuarial differences	**Mainly 10-15 years**	Mainly 10-15 years	Mainly 10-15 years

The estimated amount of all retirement benefits to be paid at the future retirement dates is allocated equally to each service year using the estimated number of total service years.

27. STOCK OPTIONS

For the year ended December 31, 2011

1. Amount of expenses related to the stock option plans for the year ended December 31, 2011 and the account recorded
   Selling, general and administrative expenses ¥86 million ($1,106 thousand)

2. Stock options outstanding as of December 31, 2011 are as follows:

Consolidated Subsidiary (Kyowa Hakko Kirin Co., Ltd.)

Stock Option	Grantees' Position	Number of Options Granted	Date of Grant	Exercise Price
2005 Stock Option	6 directors 13 managing officers	Common stock 133,000 shares	June 28, 2005	¥1 ($0.012)
2006 Stock Option	7 directors 11 managing officers	Common stock 111,000 shares	June 29, 2006	¥1 ($0.012)
2007 Stock Option	5 directors 13 managing officers	Common stock 92,000 shares	June 21, 2007	¥1 ($0.012)
2008 Stock Option	6 directors 14 managing officers	Common stock 91,000 shares	June 25, 2008	¥1 ($0.012)
2009 Stock Option	6 directors 8 managing officers	Common stock 93,000 shares	June 26, 2009	¥1 ($0.012)
2010 Stock Option	6 directors 11 managing officers	Common stock 85,000 shares	April 1, 2010	¥1 ($0.012)
2011 Stock Option	6 directors 14 managing officers	Common stock 119,000 shares	April 1, 2011	¥1 ($0.012)

Stock Option	Vesting condition	Applicable period of service	Exercisable period
2005 Stock Option	No provisions	No provisions	June 29, 2005 - June 28, 2025
2006 Stock Option	No provisions	No provisions	June 30, 2006 - June 28, 2026
2007 Stock Option	No provisions	No provisions	June 22, 2007 - June 20, 2027
2008 Stock Option	No provisions	No provisions	June 26, 2008 - June 24, 2028
2009 Stock Option	No provisions	No provisions	June 27, 2009 - June 25, 2029
2010 Stock Option	No provisions	No provisions	April 2, 2010 - March 24, 2030
2011 Stock Option	No provisions	No provisions	April 2, 2011 - March 24, 2031

(Note) Number of subscription rights to shares is expressed in number of shares to be issued upon exercise.

Number and movement of stock options
The following tables are based on the stock options which existed as of December 31, 2011. Number of stock options is expressed in number of shares to be issued upon exercise.

Number of Stock Options

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested							
Outstanding at December 31, 2010	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	**119,000**
Forfeited	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	**119,000**
Outstanding at December 31, 2011	-	-	-	-	-	-	-
Vested							
Outstanding at December 31, 2010	32,000	32,000	23,000	31,000	66,000	85,000	-
Vested	-	-	-	-	-	-	**119,000**
Exercised	7,000	6,000	5,000	9,000	14,000	10,000	-
Forfeited	-	-	-	-	-	-	-
Outstanding at December 31, 2011	25,000	26,000	18,000	22,000	52,000	75,000	**119,000**

3. Price information of stock options as of December 31, 2011

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option
Exercise price (yen)	1	1	1	1	1	1	**1**
Average market price of the stock at the time of exercise (yen)	777	777	777	777	777	777	**-**
Fair valuation price (date of grant) (yen)	**-**	705	1,140	1,038	1,014	940	**741**

4. Method of estimating the fair value of stock options

The fair value of the 2011 Stock Option is estimated using the Black-Scholes model. The following assumptions were used to determine the fair value.

Share price variability (Note 1)	6.4%
Projected remaining period (Note 2)	2 years
Projected dividend (Note 3)	¥20 per share
Risk-free interest rate (Note 4)	0.53%

(Notes) 1. Calculated based on share price results over two years (from April 2009 to March 2011).
2. Calculated by subtracting the average years of service of present office holders from the average years of service of retirees over the past five years.
3. The projected dividend for the year ended December 31, 2011.
4. The rate of return on government bonds over the projected remaining period.

5. Method of reflecting actual expirations are used because reasonable estimations of the future expirations are difficult.

For the year ended December 31, 2010

1. Amount of expenses related to the stock option plans for the year ended December 31, 2010 and the account recorded
Selling, general and administrative expenses ¥82 million

2. Stock options outstanding as of December 31, 2010 are as follows:

Consolidated Subsidiary (Kyowa Hakko Kirin Co., Ltd.)

Stock Option	Grantees' Position	Number of Options Granted	Date of Grant	Exercise Price
2005 Stock Option	6 directors 13 managing officers	Common stock 133,000 shares	June 28, 2005	¥1
2006 Stock Option	7 directors 11 managing officers	Common stock 111,000 shares	June 29, 2006	¥1
2007 Stock Option	5 directors 13 managing officers	Common stock 92,000 shares	June 21, 2007	¥1
2008 Stock Option	6 directors 14 managing officers	Common stock 91,000 shares	June 25, 2008	¥1
2009 Stock Option	6 directors 8 managing officers	Common stock 93,000 shares	June 26, 2009	¥1
2010 Stock Option	6 directors 11 managing officers	Common stock 85,000 shares	April 1, 2010	¥1

Stock Option	Vesting condition	Applicable period of service	Exercisable period
2005 Stock Option	No provisions	No provisions	June 29, 2005 - June 28, 2025
2006 Stock Option	No provisions	No provisions	June 30, 2006 - June 28, 2026
2007 Stock Option	No provisions	No provisions	June 22, 2007 - June 20, 2027
2008 Stock Option	No provisions	No provisions	June 26, 2008 - June 24, 2028
2009 Stock Option	No provisions	No provisions	June 27, 2009 - June 25, 2029
2010 Stock Option	No provisions	No provisions	April 2, 2010 - March 24, 2030

(Note) Number of subscription rights to shares is expressed in number of shares to be issued upon exercise.

Number and movement of stock options
The following tables are based on the stock options which existed as of December 31, 2010. Number of stock options is expressed in number of shares to be issued upon exercise.

Number of Stock Options

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested						
December 31, 2009-Outstanding	-	-	-	-	-	-
Granted	-	-	-	-	-	85,000
Forfeited	-	-	-	-	-	-
Vested	-	-	-	-	-	85,000
December 31, 2010-Outstanding	-	-	-	-	-	-
Vested						
December 31, 2009-Outstanding	40,000	39,000	37,000	53,000	93,000	-
Vested	-	-	-	-	-	85,000
Exercised	8,000	7,000	14,000	22,000	27,000	-
Forfeited	-	-	-	-	-	-
December 31, 2010-Outstanding	32,000	32,000	23,000	31,000	66,000	85,000

3. Price information of stock options as of December 31, 2010

	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option
Exercise price (yen)	1	1	1	1	1	1
Average market price of the stock at the time of exercise (yen)	957	957	957	957	957	-
Fair valuation price (date of grant) (yen)	-	705	1,140	1,038	1,014	940

4. Method of estimating the fair value of stock options

The fair value of the 2010 Stock Option is estimated using the Black-Scholes model. The following assumptions were used to determine the fair value.

Share price variability (Note 1)	10.2%
Projected remaining period (Note 2)	2 years
Projected dividend (Note 3)	¥20 per share
Risk-free interest rate (Note 4)	0.69%

(Notes) 1. Calculated based on share price results over two years (from March 2008 to February 2010).
2. Calculated by subtracting the average years of service of present office holders from the average years of service of retirees over the past five years.
3. The projected dividend for the year ended December 31, 2010.
4. The rate of return on government bonds over the projected remaining period.

5. Method of reflecting actual expirations are used because reasonable estimations of the future expirations are difficult.

28. REVALUATION OF LAND

Kirin Beverage Co., Ltd., a consolidated subsidiary, revalued land used for business on December 31, 2001 pursuant to the Law Concerning Land Revaluation (enacted on March 31, 1998) ("the Law") and related revision of "the Law" (effective March 31, 2001).
Due to revaluation of land, the revaluation difference attributable to the interests held by the Company was accounted for as "Land revaluation difference" in net assets.

Revaluation was performed by adjusting the road rating pursuant to Article 2, Item 4 of the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land enacted on March 31, 1998. Where the road rating was not provided, adjusted valuation for real estate tax prescribed in Article 2, Item 3 of the Law was used.

	December 31,		December 31,
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Difference between the fair value and carrying amount of the revalued land	**¥5,182**	¥5,480	**$66,658**

29. RELATED PARTY TRANSACTIONS

1. Transactions with related parties
Disclosure is omitted since there are no material related party transactions.

2. Notes relating to the parent company and major affiliate
Summarized financial information of major affiliate
As of December 31, 2011 and 2010, SAN MIGUEL BREWERY INC. ("SAN MIGUEL"), whose fiscal year-end is December 31, is the major affiliate of the Company. SAN MIGUEL'S summarized financial information is shown below. The balance sheet items are based on the position as of the third quarter end of SAN MIGUEL, and the statement of income item are based on the results of the 12 month period from the previous third quarter to the current third quarter of SAN MIGUEL, which are the amounts used in preparing the consolidated financial statements of the Company.

	December 31,		
	2011	2010	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Total Current Assets	**¥48,161**	¥57,971	**$619,513**
Total Non-current Assets	**100,783**	103,592	**1,296,411**
Total Deferred Assets	**10,405**	10,835	**133,843**
Total Current Liabilities	**44,664**	19,765	**574,530**
Total Non-current Liabilities	**67,417**	99,748	**867,211**
Total Net Assets	**47,269**	52,885	**608,039**
Sales	**133,137**	123,284	**1,712,593**
Income before income taxes and minority interests	**24,090**	37,165	**309,879**
Net income	**¥17,309**	¥27,420	**$222,652**

30. BUSINESS COMBINATIONS

For the year ended December 31, 2011

The Company acquired the total outstanding shares in Schincariol Participações e Representações S.A., the controlling shareholder of Schincariol Group companies which conduct beer business and soft drinks business, including carbonated drinks, in Brazil.
This acquisition will enable the Company to increase the competitiveness of Schincariol Group in the fast-growing Brazilian market and generate synergies with the Kirin Group, through which the Company seeks to accelerate growth.

1. Name and business description of acquired company, major reasons for business combination, date of business combination, legal description of business combination, trade name and share of acquired voting rights after business combination and major reasons for the decision on acquiring the company

(1) Name and business description of acquired company

Name of acquired company: Schincariol Participações e Representações S.A.
Business description: Holding company (production and sale of beer and soft drinks through subsidiaries)

(2) Major reasons for business combination: See above

(3) Date of business combination: October 11, 2011

(4) Legal description of business combination: Acquisition of shares

(5) Trade name after business combination: Schincariol Participações e Representações S.A.

(6) Share of voting rights acquired: 100%

(7) Major reasons for the decision on acquiring the company

Due to the acquisition of shares in compensation for cash consideration by Kirin Holdings Investments Brasil Participações S.A., the Company's wholly-owned subsidiary.

2. Period of operating results of the acquired company included in the consolidated financial statements

No operating results for the period prior to December 31, 2011, the deemed acquisition date, were included in the consolidated financial statements.

3. Acquisition cost of the acquired company

	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
Consideration for acquisition	¥303,283	$3,901,247
Expenditure directly required for acquisition	1,081	13,905
Acquisition cost	¥304,365	$3,915,165

4. Amounts of assets and liabilities received and assumed on the date of business combination

	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
Current assets	¥54,210	$697,324
Non-current assets	127,772	1,643,581
Total assets	181,983	2,340,918
Current liabilities	45,093	580,048
Non-current liabilities	57,933	745,214
Total liabilities	¥103,027	$1,325,276

(Note) The amounts of assets and liabilities do not include 6. (1) "Amount of goodwill recognized" stated below.

5. Allocation of acquisition cost

Allocation of acquisition costs has not been completed, as the fair value of assets and liabilities of the acquired company have not been determined.

6. Amount of goodwill, reason that the goodwill arose, and method and period of amortization

(1) Amount of goodwill: ¥182,714 million (BRL 4,408,076 thousand)

The above figures are estimated amounts as the allocation of acquisition costs has not been completed.

(2) Reason that the goodwill arose

The goodwill arose from the future increase in profitability that is expected as a result of expanding business.

(3) Method and period of amortization: Straight-line method over a period of 20 years.

7. Estimated impact on the consolidated statement of income for the current fiscal year, assuming the business combination had been completed at the beginning of the current fiscal year.

	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
Sales	¥151,741	$1,951,903
Net loss	15,039	193,452
Net loss per share	15.63 yen	0.20 dollar

Basis for calculation of estimate and significant assumptions

1. The estimated amount of impact is the difference between sales and profit and loss information calculated on the assumption that the business combination was completed as of the beginning of the fiscal year ended December 31, 2011 and those included in the Company's consolidated statement of income for the year ended December 31, 2011.
2. Net loss per share is based on 961,805,552 shares, the average number of shares outstanding for the period ended December 31, 2011.
3. The amounts above are unaudited.

For the year ended December 31, 2010

1. Trade name and business description of acquired company, legal description of business combination, trade name after business combination and main purpose for business combination

(1) Trade name and business description of acquired company

Acquired company: Mercian Corporation
Business description: Production and sales of wines and other alcohol beverages, chemical products, pharmaceutical products and livestock and fish feedstuff products.

(2) Legal description of business combination: Share Exchange

(3) Trade name after business combination: Mercian Corporation

(4) Main purpose for business combination

Mercian was required to correct its financial statements for previous fiscal years due to the discovery of an inappropriate transaction in the Fish Feedstuffs Division in May 2010. In response to this, the Company determined that Mercian's management base and corporate governance urgently require reinforcement, and decided to make Mercian its wholly owned subsidiary.
Accordingly, the Company and Mercian entered into the "Share Exchange Agreement," making Mercian the Company's wholly-owned subsidiary (the Share Exchange) on August 27, 2010. The Company completed procedures for making Mercian its wholly-owned subsidiary on December 1, 2010.

2. Overview of accounting treatment applied

The Share Exchange was accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008).

3. Matters related to additional acquisition of the subsidiary's shares

(1) Acquisition cost of acquired company

Consideration for acquisition (the Company's common stock)	¥10,543 million
Expenditure directly required for acquisition	¥372 million
Acquisition cost	¥10,916 million

(2) Share exchange ratio by type of share, the basis for its calculation and the number of shares delivered

(a) Share exchange ratio by type of share
Common stock one share of the Company: 0.14 share of Mercian

(b) Basis for calculation of share exchange ratio

In order to ensure fairness and reasonableness of the share exchange ratio for the Share Exchange, each of the Company and Mercian requested a separate independent third-party valuation providers to calculate a share exchange ratio. The Company and Mercian resolved the share exchange ratio by engaging in negotiations and discussions based on the analysis provided by the third-party valuation providers, and bearing in mind their respective financial conditions, performance trends, stock price movements and other factors.

(c) Number of shares of the Company delivered: 9,257,164 shares

(3) Amount of gain on negative goodwill and reason that the gain on negative goodwill was recognized

(a) Amount of gain on negative goodwill: ¥6,710 million

(b) Reason that the gain on negative goodwill was recognized
Gain on negative goodwill was recognized since the additional acquisition cost of Mercian's common stock was less than the decrease in minority interest corresponding to the Share Exchange.

31. SUBSEQUENT EVENTS

There are no significant subsequent events.

Independent Auditors' Report

To the Board of Directors of
Kirin Holdings Company, Limited:

We have audited the accompanying consolidated balance sheets of Kirin Holdings Company, Limited and its consolidated subsidiaries as of December 31, 2011 and 2010, the related consolidated statement of comprehensive income for the year ended December 31, 2011, and consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended December 31, 2011, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kirin Holdings Company, Limited and its consolidated subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 16 to the consolidated financial statements, in which the comprehensive income for the year ended December 31, 2010 is disclosed.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
March 29, 2012