

# KIRIN



KIRIN BREWERY COMPANY, LIMITED

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File No. 82-188  
February 20, 2003

Office of International Corporate Finance  
Division of Corporation Finance  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549  
U.S.A.

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THOMSON  
FINANCIAL  
SUPPL

Re: Kirin Brewery Company, Limited - 12g3-2(b) exemption

Dear Ladies and Gentlemen:

In connection with our exemption as a foreign private issuer pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, we hereby furnish the Securities and Exchange Commission with the following information required by Rule 12g3-2(b):

1. English translation of Summary of Consolidated Financial Statements as of December 31, 2002(Unaudited)
2. English translation of Summary of NON-Consolidated Financial Statements as of December 31, 2002(Unaudited)
3. Notice of Treasury Stock Purchase
4. Kirin Management Reorganization

If you have any further questions or requests for additional information please do not hesitate to contact Masahito Suzuki at 011-813-5540-3430(telephone) or 011-813-5540-3530(facsimile).

Very truly yours,

Kirin Brewery Company, Limited

By   
Name: Masahito Suzuki  
Title: Group Leader  
Finance Group

*2/23/12*

# KIRIN BREWERY COMPANY, LIMITED

## SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2002 (UNAUDITED)

February 19, 2003

(English Translation)

Fiscal year ended December 31, 2002

### KIRIN BREWERY COMPANY, LIMITED

10-1, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan (URL <http://www.kirin.co.jp/english/>)

Code No.: 2503  
 Shares Listed: Tokyo, Osaka, Nagoya, Fukuoka, Sapporo,  
 Representative: Mr. Koichiro Aramaki, President  
 For further information, please contact: Mr. Sumio Nagata, General Manager,  
 Communications Dept.  
 Telephone: 81-3-5540-3450 from overseas

Date of the Board of Directors' Meeting for the annual operation results: February 19, 2003

Whether US GAAP is applied: none

#### 1. Business results and financial positions for the current fiscal year

(January 1, 2002 - December 31, 2002)

[Unit: Japanese yen (¥)]

##### (1) Results of operations:

(Fractions less than ¥1 million have been omitted.)

|                              | Sales<br>(¥ millions) | Percentage<br>change<br>(%) | Operating<br>income<br>(¥ millions) | Percentage<br>change<br>(%) | Income before<br>special items<br>(¥ millions) | Percentage<br>change<br>(%) |
|------------------------------|-----------------------|-----------------------------|-------------------------------------|-----------------------------|--|-----------------------------|
| Year ended December 31, 2002 | 1,583,248             | 1.4                         | 89,789                              | 19.6                        | 84,443   | 21.8                        |
| Year ended December 31, 2001 | 1,561,879             | (1.2)                       | 75,065                              | (20.5)                      | 69,339   | (25.5)                      |

|                              | Net income<br>(¥ millions) | Percentage<br>change<br>(%) | Net income<br>per share<br>primary<br>(¥) | Net income<br>per share<br>diluted<br>(¥) | Ratio of net<br>income to<br>shareholders'<br>equity<br>(%) | Ratio of<br>ordinary<br>income to<br>total assets<br>(%) | Ratio of<br>ordinary<br>income to<br>sales<br>(%) |
|------------------------------|----------------------------|-----------------------------|---|---|---|--|---|
| Year ended December 31, 2002 | 32,540                     | 40.7                        | 33.26                                     | —   | 4.2   | 5.0  | 5.3   |
| Year ended December 31, 2001 | 23,122                     | (29.8)                      | 23.49                                     | 23.48                                     | 3.0   | 4.2  | 4.4   |

Notes : ①Equity in earnings of affiliates:

December 31, 2002 ¥ 2,102 million  
 December 31, 2001 ¥ 1,864 million

②Average number of shares of common stock outstanding during the period (Consolidated) :

December 31, 2002 978,318,065 shares  
 December 31, 2001 984,485,996 shares

③Change in accounting policies: None

④Percentage change means the ratio of increase or decrease in each item of business results for the year ended December 31, 2002, to those for the year ended December 31, 2001.

(2) Financial positions:

|                   | Total assets<br>(¥ millions) | Shareholders'<br>equity<br>(¥ millions) | Ratio of shareholders'<br>equity to total assets<br>(%) | Shareholders'<br>equity per share<br>(¥) |
|-------------------|------------------------------|---|---|--|
| December 31, 2002 | 1,744,131                    | 769,227                                 | 44.1  | 795.71                                   |
| December 31, 2001 | 1,661,652                    | 782,902                                 | 47.1  | 795.29                                   |

Notes :Number of shares of common stock issued and outstanding (Consolidated) :

|                   |                    |
|-------------------|--------------------|
| December 31, 2002 | 966,713,386 shares |
| December 31, 2001 | 984,417,871 shares |

(3) Cash flows :

|                              | Cash flows<br>from operating<br>activities<br>(¥ million) | Cash flows<br>from investing<br>activities<br>(¥ million) | Cash flows<br>from financing<br>activities<br>(¥ million) | Cash and<br>cash equivalents<br>at end of period<br>(¥ million) |
|------------------------------|---|---|---|---|
| Year ended December 31, 2002 | 87,750  | (175,377)   | 50,699  | 105,625   |
| Year ended December 31, 2001 | 71,144  | (12,108)  | 20,865  | 144,331   |

(4)Scope of consolidation and application of equity method :

|                                   |               |
|-----------------------------------|---------------|
| Consolidated subsidiaries:        | 305 companies |
| Subsidiaries under equity method: | 1 company     |
| Affiliates under equity method:   | 16 companies  |

(5)Changes in scope of consolidation and application of equity method :

|                |                        |                      |
|----------------|------------------------|----------------------|
| Consolidation: | Increase 47 companies, | Decrease 3 companies |
| Equity method: | Increase 3 companies,  | Decrease 2 companies |

2. Forecast of business results for the next fiscal year (January 1, 2003-December 31, 2003)

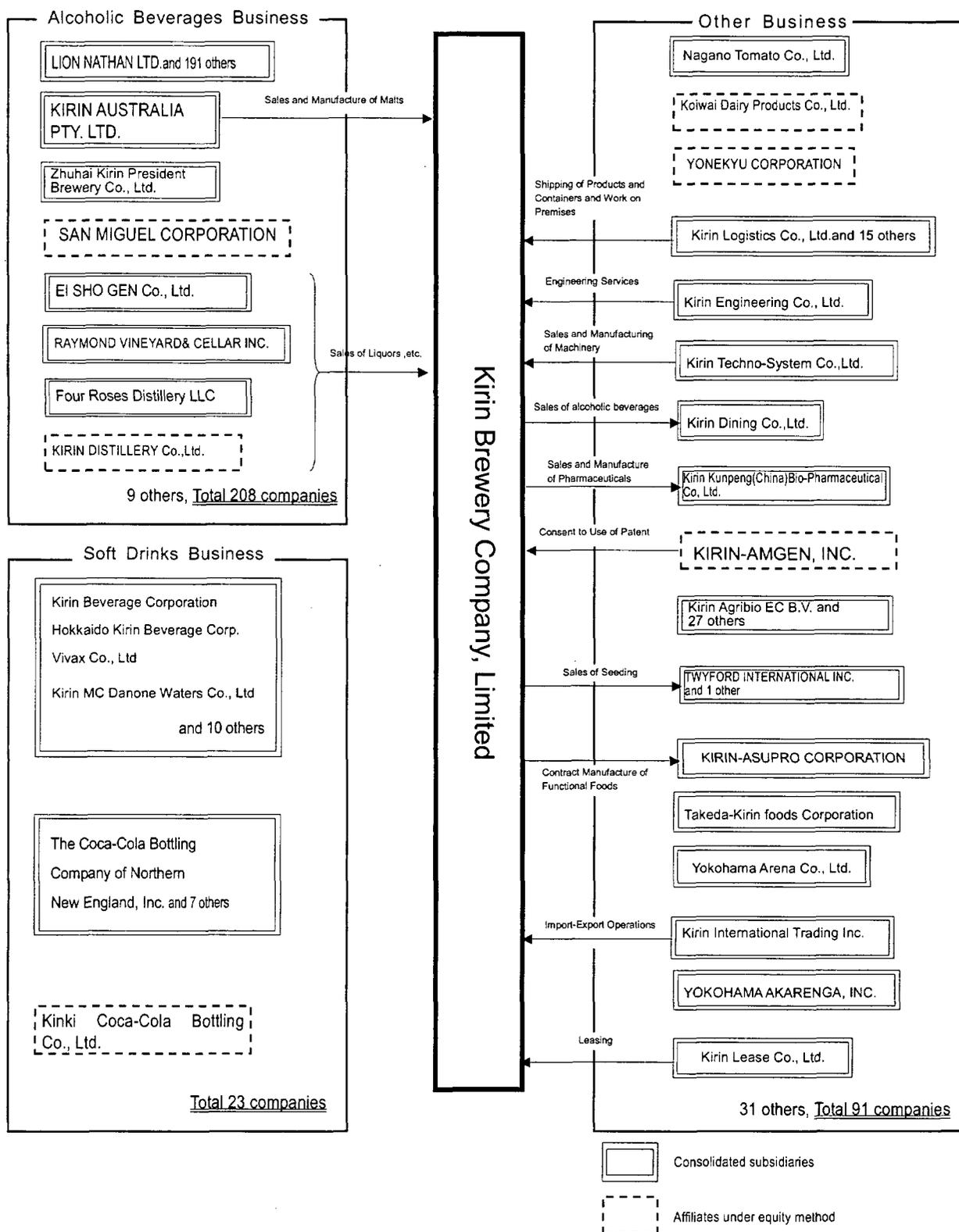
|                               | Sales<br>(¥ million) | Income before<br>special items<br>(¥ million) | Net income<br>(¥ million) |
|-------------------------------|----------------------|---|---------------------------|
| 6 months ending June 30,2003  | 770,000              | 36,000  | 11,000                    |
| Year ending December 31, 2003 | 1,670,000            | 98,000  | 39,000                    |

Note: Forecasted net income per share ¥ 40.34

Refer to page 8 - 9 for the assumptions and other matters related to the above forecast.

## Corporate Group

The Kirin Group consists of Kirin Brewery Co., Ltd. ("the Company"), its 305 consolidated subsidiaries, 1 non-consolidated subsidiary under equity method and 16 affiliates under equity method. The major group companies in the respective business segments are as follows:



Note: Among consolidated subsidiaries, Kirin Beverage Corporation is listed on the First Section of the Tokyo Stock Exchange. Kirin-Seagram Ltd. has changed its business name to Kirin Distillery Co., Ltd. since July 1, 2002.

## MANAGEMENT POLICIES

### 1. Basic Kirin Group Management Policies

We are dedicated to contributing to the health, happiness and comfort of people around the world. Thus, the Kirin Group pursues these policies:

- (1) Priority on Customers and Quality
- (2) Open and Fair Behavior
- (3) Respect for People
- (4) Sound Management
- (5) Contribution to Society

Incorporating these principles into our corporate culture, Kirin Group aims to be an institution that creates value to enrich the lives of our customers.

### 2. Fundamental Company Policy on Distribution of Profits

Providing appropriate returns on income to shareholders is a top priority at Kirin, where we have continued to provide annual dividends since our establishment in 1907. In the future, while giving due consideration to strengthening the quality of management and business development, Kirin believes that providing stable dividends is how to meet shareholder demands. Retained earnings will be earmarked for investment in businesses for the future.

At the 163rd Ordinary General Meeting of Shareholders held on March 28, 2002, Kirin resolved to repurchase up to 30 million common shares of its own stock, up to a maximum acquisition cost of ¥30 billion, with the aim of executing flexible financial policies and management strategies. As of November 20, Kirin had purchased 15,935,000 common shares of its own stock for ¥12,185,355,000.

### 3. Position and Policy on Reduction of the Stock Trading Unit

Kirin places importance on increasing its corporate value, expanding its shareholder base and increasing the liquidity of its stock. We will seriously consider reducing the trading unit, taking into account the overall costs and benefits.

### 4. Targeted Management Indicators

A key management objective is improving EVA\* (a performance indicator) in order to strengthen the profit structure. By investing in growth fields and strategically allocating resources to maximize efficacy and efficiency, we aim to achieve our sales targets, despite the turbulent market environment, and build a solid corporate structure that continues to generate earnings.

\*EVA (Economic Value Added) is a registered trademark of Stern Stewart & Co.

### 5. Medium- to Long-term Management Strategy

The KG 21 Action Plan, a medium-term business plan covering the years 2001 to 2003, was announced in September 2000. This plan will serve as the basis for structural reform of the entire Kirin Group, with the aim of creating a solid management foundation. Furthermore, the domestic alcohol beverage business, centered on low-alcohol beverages, is being restructured. Kirin Group companies will cooperatively work to be a business group that creates value to enhance the lives of its customers, and steps are being taken to strengthen product and marketing capabilities while increasing quality and productivity.

### 6. Issues for the Kirin Group

- (1) Structural Reform of the Kirin Group and Stronger Cooperation among Group Companies

#### *Reorganization of Businesses*

To promote group management, increase the corporate value of the Kirin Group and boost profitability, Kirin's previous five main business segments and 15 business fields have been restructured into Core Businesses, Core-related Businesses and Diversified Businesses.

#### *Reform of Corporate Structure*

Based on the new arrangement of businesses, starting in 2001, the structure of the Kirin Group was reorganized into a holding company, business companies and internal business units called "companies." Kirin Brewery operates both as a business company, managing the domestic beer and *happo-shu* business, and as a holding company overseeing each business and strengthening group operations.

#### *Reform of Corporate Management*

In 2001, EVA was adopted throughout the Kirin Group as a new performance indicator to evaluate the results and progress of each business company and internal company.

#### (2) Increasing Corporate Value by Strengthening Profitability, with Core Businesses as the Nucleus

##### *Shifting to a Comprehensive Alcohol Business Centered on Low-Alcohol Beverages*

Kirin is focusing less on business limited to specific alcohol categories in favor of developing a comprehensive alcohol business emphasizing beer, *happo-shu*, *chu-hi* drinks and other low-alcohol beverages. This repositioning will allow Kirin to better meet the diversifying needs of its customers, and provide the maximum value for alcohol beverages that customers demand.

##### *Structural Reforms to Strengthen Group Competitiveness*

In its marketing divisions, Kirin will work to strengthen sales capabilities by rebuilding a customer-oriented marketing structure that can adapt to changes in the business environment. In the production divisions, new product development will be accelerated and more advanced technology introduced to support Kirin's shift to a comprehensive alcohol beverage company. We are simultaneously promoting the creation of a highly efficient production system. In our distribution divisions we are carrying out structural reforms for administrative operations.

##### *Develop Diversified Businesses Centered on the Pharmaceutical Business*

Kirin will further strengthen its domestic pharmaceutical sales system. To enhance the product pipeline, we are concentrating resources in research, speeding development, and introducing new drug candidates through in-licensing. We will also take steps to strengthen the business platforms of the agribio and nutrient food and feed businesses.

#### (3) Coexistence with Society

With increasing societal expectation on companies to earn public trust, the Kirin Group is conducting business activities in conformity with compliance measures. We are reinforcing environmental management and we are promoting responsible drinking.

## **7. Policies Concerning the Management Structure**

The management structure is being reformed through changes in makeup of the board of directors. An executive officer system to clarify the responsibilities of the decision-making and operation functions has been introduced. The number of directors is being reduced and the establishment of an advisory board will enhance the top-level decision-making function of the board. An appointment advisory committee and compensation advisory committee is being established to help increase transparency, and the establishment of new meeting bodies is aimed at creating a structure to support prompt decision-making by the executive officers.

## RESULTS OF OPERATIONS AND FINANCIAL POSITION

### 1. Review of Operations

The Japanese economy continues to show signs of recession, while corporate earnings recovered slightly, the year was marked by increasingly tight employment conditions, long-term deflation and slow consumer spending.

In the beer and *happo-shu* market, sales of *happo-shu* continued to be strong following the launch of several new brands, but general demand for beer and *happo-shu* declined slightly from the previous year, owing to the continued economic slump and diversification of consumer tastes. The market for *chu-hi* and other low-alcohol drinks, however, rose sharply from the previous year. In the wine and spirits market, although demand for wine increased slightly from the previous year, demand for whiskey fell sharply due to a slump in the restaurant and bar market. Despite an array of aggressive marketing strategies implemented within the restaurant and bar industry, overall demand remained flat in the face of sluggish individual consumption. In the pharmaceutical industry, falling drug prices dampened domestic sales growth. Responding to these circumstances, Kirin implemented a number of measures to help it achieve the goals outlined in the three-year, medium-term business plan begun in 2001 (KG 21 Action Plan). All corporate activities were examined in terms of customer focus and product suitability. Top priority was also placed on enhancing competitiveness in the core domestic alcohol business, and Kirin took steps to solidify customer support by enhancing the level of cooperation among Group companies.

Consolidated sales for 2002 increased 1.4% from the previous fiscal year to ¥1,583.2 billion, owing to an increase in sales in the soft drink business, and of *happo-shu* and *chu-hi*, which offset a slight decline in beer sales. Although a decline in the retail price of *happo-shu* had a negative effect on the bottom line, across-the-board cuts in areas such as marketing and production expenses led to a 21.8% increase in consolidated income before extraordinary items to ¥84.4 billion, and a 40.7% increase in net income to ¥32.5 billion.

The year-end dividend was ¥6 per share, which added to the interim dividend of ¥6 per share brought the total dividend for the year to ¥12 per share.

### Results by Business Segment

#### **Alcohol Beverage Business**

Kirin implemented several new value-added initiatives in its product offerings and sales methods, based on a comprehensive evaluation of the *happo-shu*, *chu-hi* and other low-alcohol beverages market, in an effort to respond to increasingly diversified customer preferences. The operational base was also strengthened as Kirin entered new growth fields such as the *shochu* market, in a move to further develop the comprehensive alcohol beverage business.

In the beer and *happo-shu* sector, Kirin took steps to strengthen the image of *Kirin Lager* as a modern-day, authentic beer. *Kirin Classic Lager* has been increasingly popular mainly at restaurants and drinking establishments, with sales well above those of the previous year. *Ichiban Shibori* benefited from the launch of *Kirin Tarunama Senyo Server*, Japan's first home draft beer system. This new style of beer for the home proved exceedingly popular. *Maribana Ichiban Shibori*, a limited edition brew released in November, was also popular. *Tanrei* continued to receive strong support in the *happo-shu* market as the leading brand. *Tanrei Green Label*, an extension brand marketed towards health-conscious consumers, was the most successful product launch ever in the light beer/*happo-shu* category. *Gokunama*, launched in response to customer demands for a *happo-shu* that is both full-flavored and economical, achieved sales that greatly exceeded forecasts. *Maroyaka Kobo*, an unfiltered beer with live yeast and kept cool throughout distribution, was extremely well received following its release on a trial basis to select stores in the Tokyo area. *Kirin Chu-hi Hyoketsu* achieved a dramatic rise in sales following the launch of orange and plum flavors, and the limited wintertime release of *Apple Nouveau*. One year since its release, *Hyoketsu* is now the top *chu-hi* brand.

In the wine and spirits category, Kirin acquired the global business of the *Four Roses* brand, and began securing exclusive marketing rights for Japan to *Chivas Regal* and other major brands of the former Seagram Co., Ltd. in a move to establish a marketing strategy that prioritizes mainstay products and aims at broadening the wine product lineup. As part of Kirin's effort to create a new upscale market for *shochu* (Japanese distilled liquor made from grain), *Mugi Shochu Pure Blue*, a premium *shochu* made from 100% barley, and the easy-drinking clear liquor *Hyoketsu 21° Straight*, were released on a trial basis in select areas of Tokyo in November. Kirin also acquired stock in Eishogen Co., Ltd. in April and began selling Eishogen products in December, broadening Kirin's lineup of Chinese liquors.

Sales measures undertaken during the year included the integration of the marketing divisions of the former Kirin-Seagram Ltd. into the Kirin Group headquarters, allowing for the establishment of a coordinated sales strategy for the entire alcohol business. A network of contract locations, the first of its kind in the domestic alcohol business, was also established for the chilled distribution system, creating a distribution framework that offers customers added value in the

form of freshness management. In addition, the subsidiary Kirin Communication Stage Co., Ltd. was established to handle in-store marketing for volume retailers, a sector of the market that is expanding quickly. This new company has already begun operations in the Tokyo area.

In production, renovations were completed to the Toride and Okayama production facilities. Production efficiency has been enhanced, and the Okayama facility and Shonan facility of Kirin Beverage Corporation have begun manufacturing *Kirin Chu-hi Hyoketsu*. In distribution, integration of distribution channels for wine and spirits has been completed, and block distribution functions are beginning to be integrated with Kirin Beverage and distribution was made more efficient throughout the Kirin Group.

Overseas, performance remained robust at Lion Nathan Ltd., a Group company based in Australia. Capital increases to the major Philippine brewery San Miguel Corporation were completed in March, and in May a new product, *Kirin Bar Beer*, was launched in Taiwan with manufacturing assistance from Lion Nathan. These moves helped to realize Group synergies, and drive profit-oriented business development focused on Asia and Oceania.

Consequently, total net sales in the alcohol beverage business segment decreased 0.8% from the previous year to ¥1,069.5 billion.

### **Soft Drinks Business**

Kirin Beverage Corporation, which operates Kirin's soft drinks business, undertook aggressive marketing to enhance its key brands. Initiatives were made to further increase the value of the *Namacha* brand, Kirin Beverage's representative product, in the increasingly competitive sugarless tea drinks market. Sales of the new product *Amino Suppli* surpassed forecasts. Shipments of *Fire* surpassed 10 million cases for the fourth consecutive year.

The new company Kirin MC Danone Waters Co., Ltd. was established in November as a joint venture between Kirin Beverage, Groupe Danone, and Mitsubishi Corporation. This new company aims to establish itself as the leading company in Japan's mineral water market.

In China, sales of *Gogono-kocha* ("afternoon tea") remained steady, and sales of *Namacha* have grown steadily since its launch in 2001.

Consequently, total net sales in the soft drink business segment rose 3.0% from the previous year to ¥342.9 billion.

### **Other Businesses**

In pharmaceuticals, Kirin conducted information sharing activities with Sankyo Co., Ltd. for *ESPO*, a genetically engineered hormone that regulates red blood cell production, and for *GRAN*, an agent that stimulates white blood cell production. Kirin also stepped up exclusive marketing efforts in Japan for *Rocaltrol Injection*, a treatment for secondary hyperparathyroidism. Doses of *GRAN* in pre-filled syringes were also launched in August, contributing to further expand sales. R&D was accelerated on KRN321, the second generation of *ESPO*, and manufacturing authorization was acquired for pre-filled syringes of *ESPO*. In the field of human antibodies, the creation of cows to produce human antibodies was achieved in a joint R&D project with the U.S. company Hematech, LLC. Steady success was also realized in the field of cell therapy, as clinical trials began on APC8020, a preparation for the treatment of multiple myeloma, and an application for an import license was made for AM9802, a device for cell therapy research.

In the agrbio business, Flower Season Co., Ltd. was established in September as a joint venture with Dole Food Company, Inc. and its affiliated company as a wholesaler of flowers and ornamental plants, marking Kirin's entry into the growing volume retail market. Kirin also moved to bolster its base in the carnation business, buying the marketing rights and specific variety rights held by the Israeli carnation propagation and seedling marketing company R. Shemi Ltd., in October through its 100 percent owned Spanish subsidiary, Barberet & Blanc S.A.

In the nutrient food and feed business, Takeda Kirin Foods Co., Ltd. smoothly began its sales efforts in the seasonings field in from April. The release of new products in the health foods field such as the *Kirin Brewer's Yeast* series helped to increase earning capacity.

As a result of the above, total net sales in the other business segment rose 13.2% from the previous year to ¥170.2 billion.

## **2. Financial Position**

Net cash used in investing activities during 2002 increased due to factors such as Kirin's investment in San Miguel Corporation, but this was offset by the issuance of bonds and increases in long-term debt as well as royalty income. As a result, cash and cash equivalents ("cash") on a consolidated basis decreased ¥38.7 billion from the previous fiscal year to ¥105.6 billion.

Consolidated cash flows are as follows:

### **Cash flow from operating activities**

Income before income taxes and minority interests increased ¥17.3 billion from the previous year, and the decrease in working capital (accounts receivable, inventories, purchasing obligations and beer taxes payable) increased ¥17.8 billion. As a result of these and other factors, net cash provided by operating activities increased to ¥87.7 billion, ¥16.6 billion over the previous year.

### **Cash flow from investing activities**

Payments for purchase of property and equipment, including capital investment in the domestic alcohol business, were ¥85.4 billion, ¥14.0 billion higher than the previous year's total. Payment for purchase of marketable securities and investment securities totaled ¥103.8 billion. Proceeds from termination of funds in trust, however, were ¥17.4 billion. As a result of these and other factors, net cash used in investing activities increased to ¥175.3 billion, ¥163.2 billion over the previous year.

### **Cash flow from financing activities**

Cash dividends paid amounted to ¥11.7 billion, approximately the same as in the previous year. Kirin raised ¥37.9 billion from an increase in bank loans, however, and ¥40.0 billion from the issuance of bonds. As a result, net cash provided by financing activities was ¥50.6 billion, an increase of ¥29.8 billion over the previous year.

## **3. Outlook**

Kirin is now in the final year of the KG 21 Action Plan and is further strengthening coordination and cooperation among the Group companies in order to achieve the goals of this plan. Additional efforts to reform the cost structure are being undertaken to this end, based on the results of similar efforts made mainly in the domestic alcohol business in 2002, and with the aim of forging a strong corporate structure in which stable earnings are maintained.

In the domestic alcohol business, strategic investments were made in growth categories such as *happo-shu*, *chu-hi* drinks, *shochu* and wine, further strengthening the base of the comprehensive alcohol business. Several new market-creating products were launched that are attractive and offer customers new levels of value. Kirin will also streamline its distribution network and marketing structure and step up sales efforts in response to the rise in the tax on *happo-shu*, liberalization of alcohol sales regulations, and other changes in the market environment.

Product initiatives include, in the *happo-shu* category, the launch of *Tanrei Alpha* and *Namakuro*. In the beer category *Kirin Lager Blue Label* will be launched, and *Maroyaka Kobo* will be released nationwide, offering a new level of added value to customers while simultaneously serving to strengthen the power of Kirin's key brands. The *Kirin Chu-hi Hyoketsu* brand will be kept fresh by the addition of lime as a new flavor, which will help the brand continue to lead the market and grow further. In wine, *shochu* and spirits categories, *Mugi Shochu Pure Blue* and *Hyoketsu 21° Straight* will be marketed nationwide, while the lineup of products will be further enhanced by the launch of new sparkling wines and everyday wines, and the addition of *Two Dogs Lychee*. For spirits, Kirin will concentrate on increasing sales of its two mainstay brands, *Chivas Regal* scotch and *Four Roses* bourbon. The addition to the product lineup of several brands of Chinese liquor obtained from Eishogen Co., Ltd. will also increase Kirin's ability to offer a comprehensive line of alcohol products. Sales measures will focus on achieving sales targets and protecting margins to be accomplished through further strengthening of sales effectiveness and strategic distribution of resources into growth markets. Specifically, Kirin Communication Stage Co., Ltd. will expand its sales efforts nationwide, the marketing structure towards volume retailers will be enhanced, and measures will be taken to build a sales structure with a high level of flexibility and support. Kirin will also continue to work towards lowering marketing costs.

Kirin will continue to accumulate production technology in line with its position as a comprehensive alcohol producer, conduct development aimed at producing retail products and build a structure that ensures a high level of product quality. Kirin will also continue its efforts to improve the efficiency of distribution throughout the Group, raise the standard level of service to further improve the degree of product freshness found in stores, and enhance the chilled distribution infrastructure. The management level of food safety and assurance at all Group companies will be raised, further improving product quality.

In the overseas beer business, Kirin will continue to pursue profit-oriented business development focused on Asian and Oceania. It will also work to leverage Group synergy through projects such as the launch in Shanghai of the new product *Kirin Qingchun Beer*, developed with the assistance of Lion Nathan Ltd, and through cooperation in the wine business. In the soft drink business, Kirin will deploy a competitive brand formation led by enhancements to its cost competitiveness, and initiate reforms aimed at creating a firmer marketing structure. In its product line, Kirin will grow and strengthen its mainstay brands *Namacha*, *Amino Supli*, *Gogono-kocha* ("afternoon tea") and *Fire*, as well as its two brands of mineral water, *Volvic* and *Alkaline-ion no Mizu*. It will also introduce popular and revolutionary new products to stimulate demand in the soft drinks market. In the marketing and distribution areas, Kirin will focus on building a stronger structure.

Overseas, *Amino Supli* will be launched in Shanghai to further enhance the product lineup.

In the development of other businesses, pharmaceutical sales will be increased through early release of *ESPO* pre-filled syringes, and further upgrades to the product pipeline. The agrbio business will be expanded in the key fields of chrysanthemums and carnations, and further enhancements to the operational base both in Japan and overseas. In the nutrient food and feed business, Kirin will pursue development of high-value added products that use beer yeast.

Kirin will also continue its environmental initiatives and support for sports and cultural activities, aimed at developing a closer bond with the aim of harmonious coexistence with society.

In reforming its management structure, Kirin is restructuring of its board of directors, and introducing an executive officer system to clarify the distinction between the respective responsibilities of the decision-making and operation functions.

These two initiatives will help enhance compliance.

For the year ending December 31, 2003, Kirin projects consolidated sales of ¥1,670.0 billion (a year-on-year increase of 5.5%), income before extraordinary items of ¥98.0 billion (a year-on-year increase of 16.1%), and net income of ¥39.0 billion (a year-on-year increase of 19.9%).

Cash dividends for 2003 are expected to total ¥12 per share, consisting of interim and year-end dividends of ¥6 per share each.

#### **4. Note Concerning Results Projections**

The statements concerning future performance that are presented in this document are based on judgments using information available to Kirin and the Kirin Group at the time of publication. Certain risks and uncertainties could cause the results of Kirin and the Kirin Group to differ materially from any projections presented herein. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses, market trends, and exchange rates.

**CONSOLIDATED BALANCE SHEETS**

(¥ millions)

| ASSETS   | (Note) | At<br>December 31, 2002 |                                    | At<br>December 31, 2001 |                                    | Increase<br>(Decrease) |
|--|--------|-------------------------|------------------------------------|-------------------------|------------------------------------|------------------------|
|  |        | Amount                  | Percentage<br>over total<br>assets | Amount                  | Percentage<br>over total<br>assets | Amount                 |
| <b>Current Assets</b>                                |        |                         |                                    |                         |                                    |                        |
| Cash   | (*3)   | 108,148                 |                                    | 143,525                 |                                    | (35,377)               |
| Notes and accounts receivable                        | (*3)   | 269,106                 |                                    | 256,254                 |                                    | 12,852                 |
| Marketable securities                                |        | 2,017                   |                                    | 12,272                  |                                    | (10,255)               |
| Inventories  | (*3)   | 83,949                  |                                    | 65,731                  |                                    | 18,218                 |
| Deferred income taxes                                |        | 17,788                  |                                    | 17,188                  |                                    | 600                    |
| Funds in trust                                       |        | —                       |                                    | 17,411                  |                                    | (17,411)               |
| Other  |        | 48,032                  |                                    | 42,673                  |                                    | 5,359                  |
| Allowance for doubtful accounts                      |        | (5,456)                 |                                    | (2,087)                 |                                    | (3,369)                |
| <b>Total current assets</b>                          |        | <b>523,585</b>          | <b>30.0</b>                        | <b>552,969</b>          | <b>33.3</b>                        | <b>(29,384)</b>        |
| <b>Fixed Assets</b>                                  |        |                         |                                    |                         |                                    |                        |
| Property, Plant and Equipment                        | (*1)   |                         |                                    |                         |                                    |                        |
| Buildings and structures                             | (*3)   | 189,050                 |                                    | 187,361                 |                                    | 1,689                  |
| Machinery, equipment and<br>vehicles                 | (*3)   | 190,687                 |                                    | 178,783                 |                                    | 11,904                 |
| Land   | (*3,5) | 166,393                 |                                    | 156,269                 |                                    | 10,124                 |
| Construction in progress                             |        | 13,290                  |                                    | 22,636                  |                                    | (9,346)                |
| Other  | (*3)   | 49,961                  |                                    | 52,528                  |                                    | (2,567)                |
| <b>Total</b>   |        | <b>609,382</b>          | <b>35.0</b>                        | <b>597,578</b>          | <b>36.0</b>                        | <b>11,804</b>          |
| <b>Intangible Fixed Assets</b>                       |        |                         |                                    |                         |                                    |                        |
| Goodwill   |        | 30,751                  |                                    | 21,199                  |                                    | 9,552                  |
| Consolidation differences                            |        | 45,513                  |                                    | 45,700                  |                                    | (187)                  |
| Other  | (*3)   | 75,857                  |                                    | 58,475                  |                                    | 17,382                 |
| <b>Total</b>   |        | <b>152,122</b>          | <b>8.7</b>                         | <b>125,376</b>          | <b>7.5</b>                         | <b>26,746</b>          |
| <b>Investments and Other Assets</b>                  |        |                         |                                    |                         |                                    |                        |
| Investment securities                                | (*2,3) | 330,905                 |                                    | 263,060                 |                                    | 67,846                 |
| Long term loans                                      |        | 5,916                   |                                    | 5,150                   |                                    | 766                    |
| Life insurance investments                           |        | 35,093                  |                                    | 33,792                  |                                    | 1,301                  |
| Deferred income taxes                                |        | 55,868                  |                                    | 45,191                  |                                    | 10,677                 |
| Deferred income taxes due to<br>revaluation for land | (*5)   | 1,997                   |                                    | 1,995                   |                                    | 2                      |
| Other  | (*2)   | 33,172                  |                                    | 39,567                  |                                    | (6,395)                |
| Allowance for doubtful accounts                      |        | (3,913)                 |                                    | (3,029)                 |                                    | (884)                  |
| <b>Total</b>   |        | <b>459,041</b>          | <b>26.3</b>                        | <b>385,728</b>          | <b>23.2</b>                        | <b>73,313</b>          |
| <b>Total fixed assets</b>                            |        | <b>1,220,546</b>        | <b>70.0</b>                        | <b>1,108,683</b>        | <b>66.7</b>                        | <b>111,863</b>         |
| <b>TOTAL ASSETS</b>                                  |        | <b>1,744,131</b>        | <b>100.0</b>                       | <b>1,661,652</b>        | <b>100.0</b>                       | <b>82,479</b>          |

(¥ millions)

| LIABILITIES, MINORITY INTERESTS<br>AND SHAREHOLDERS' EQUITY               | (Note) | At<br>December 31, 2002 |                                    | At<br>December 31, 2001 |                                    | Increase<br>(Decrease) |
|---|--------|-------------------------|------------------------------------|-------------------------|------------------------------------|------------------------|
|   |        | Amount                  | Percentage<br>over total<br>assets | Amount                  | Percentage<br>over total<br>assets | Amount                 |
| <b>Current Liabilities</b>  |        |                         |                                    |                         |                                    |                        |
| Notes and accounts payable  |        | 98,649                  |                                    | 105,084                 |                                    | (6,435)                |
| Short-term loans payable  | (*3)   | 47,824                  |                                    | 26,133                  |                                    | 21,691                 |
| Beer taxes payable  |        | 113,660                 |                                    | 119,315                 |                                    | (5,655)                |
| Income taxes payable  |        | 15,599                  |                                    | 19,280                  |                                    | (3,681)                |
| Accrued expenses  |        | 59,573                  |                                    | 57,243                  |                                    | 2,330                  |
| Deposits received   |        | 61,227                  |                                    | 64,406                  |                                    | (3,179)                |
| Other   |        | 64,619                  |                                    | 50,177                  |                                    | 14,442                 |
| <b>Total current liabilities</b>  |        | <b>461,154</b>          | <b>26.4</b>                        | <b>441,641</b>          | <b>26.6</b>                        | <b>19,513</b>          |
| <b>Long-term Liabilities</b>  |        |                         |                                    |                         |                                    |                        |
| Bonds   |        | 129,948                 |                                    | 87,400                  |                                    | 42,548                 |
| Long-term debt  | (*3)   | 105,148                 |                                    | 74,511                  |                                    | 30,637                 |
| Pension and retirement benefits   |        | 95,414                  |                                    | 100,060                 |                                    | (4,646)                |
| Retirement benefits for directors and corporate<br>auditors               |        | 1,950                   |                                    | 2,022                   |                                    | (72)                   |
| Reserve for repair and maintenance of vending<br>machines                 |        | 6,657                   |                                    | 5,520                   |                                    | 1,137                  |
| Deposits received   | (*3)   | 78,567                  |                                    | 84,241                  |                                    | (5,674)                |
| Other   |        | 21,633                  |                                    | 20,178                  |                                    | 1,455                  |
| <b>Total long-term liabilities</b>  |        | <b>439,318</b>          | <b>25.2</b>                        | <b>373,934</b>          | <b>22.5</b>                        | <b>65,384</b>          |
| <b>TOTAL LIABILITIES</b>  |        | <b>900,473</b>          | <b>51.6</b>                        | <b>815,576</b>          | <b>49.1</b>                        | <b>84,897</b>          |
| <b>MINORITY INTERESTS</b>   |        | <b>74,431</b>           | <b>4.3</b>                         | <b>63,174</b>           | <b>3.8</b>                         | <b>11,257</b>          |
| Common Stock  |        | 102,045                 | 5.8                                | 102,045                 | 6.1                                | —                      |
| Additional Paid-In Capital  |        | 70,868                  | 4.1                                | 70,868                  | 4.3                                | —                      |
| Revaluation variance for Land   | (*5)   | (1,627)                 | (0.1)                              | (1,625)                 | (0.1)                              | (1)                    |
| Retained Earnings   |        | 630,744                 | 36.2                               | 608,603                 | 36.6                               | 22,141                 |
| Net unrealized holding gains on securities                                |        | 6,132                   | 0.4                                | 19,331                  | 1.2                                | (13,199)               |
| Foreign currency translation adjustments                                  |        | (25,308)                | (1.5)                              | (16,235)                | (1.0)                              | (9,073)                |
| <b>Total</b>  |        | <b>782,855</b>          | <b>44.9</b>                        | <b>782,988</b>          | <b>47.1</b>                        | <b>(133)</b>           |
| Treasury Stock  |        | (13,628)                | (0.8)                              | (86)                    | (0.0)                              | (13,542)               |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>   |        | <b>769,227</b>          | <b>44.1</b>                        | <b>782,902</b>          | <b>47.1</b>                        | <b>(13,675)</b>        |
| <b>TOTAL LIABILITIES, MINORITY INTERESTS<br/>AND SHAREHOLDERS' EQUITY</b> |        | <b>1,744,131</b>        | <b>100.0</b>                       | <b>1,661,652</b>        | <b>100.0</b>                       | <b>82,479</b>          |

**CONSOLIDATED STATEMENTS OF INCOME**

(¥ millions)

|   | (Note) | Year ended<br>December 31, 2002 |                          | Year ended<br>December 31, 2001 |                          | Increase<br>(Decrease) |
|---|--------|---------------------------------|--------------------------|---------------------------------|--------------------------|------------------------|
|   |        | Amount                          | Percentage<br>over sales | Amount                          | Percentage<br>over sales | Amount                 |
| Sales   |        | 1,583,248                       | 100.0                    | 1,561,879                       | 100.0                    | 21,369                 |
| Cost of Sales   |        | 1,000,199                       | 63.2                     | 999,907                         | 64.0                     | 292                    |
| Gross Profit  |        | 583,048                         | 36.8                     | 561,972                         | 36.0                     | 21,076                 |
| Selling, General and Administrative Expenses  | (*1,2) | 493,259                         | 31.2                     | 486,907                         | 31.2                     | 6,352                  |
| Operating Income  |        | 89,789                          | 5.7                      | 75,065                          | 4.8                      | 14,724                 |
| Non-operating Income  |        |                                 |                          |                                 |                          |                        |
| Interest income   |        | 1,147                           |                          | 1,675                           |                          | (528)                  |
| Return on funds in trust  |        | 210                             |                          | 558                             |                          | (348)                  |
| Dividend income   |        | 2,614                           |                          | 1,864                           |                          | 750                    |
| Equity in earnings of affiliates  |        | 2,102                           |                          | 1,864                           |                          | 238                    |
| Other   |        | 4,143                           |                          | 5,718                           |                          | (1,575)                |
| Total   |        | 10,217                          | 0.6                      | 11,681                          | 0.7                      | (1,464)                |
| Non-operating Expenses  |        |                                 |                          |                                 |                          |                        |
| Interest expense  |        | 8,955                           |                          | 9,733                           |                          | (778)                  |
| Other   |        | 6,607                           |                          | 7,673                           |                          | (1,066)                |
| Total   |        | 15,562                          | 1.0                      | 17,407                          | 1.1                      | (1,845)                |
| Income before Special Items and Income Taxes  |        | 84,443                          | 5.3                      | 69,339                          | 4.4                      | 15,104                 |
| Special Income  |        |                                 |                          |                                 |                          |                        |
| Gain on sales of fixed assets   | (*3)   | 3,401                           |                          | 2,981                           |                          | 420                    |
| Gain on sales of investment securities  |        | 420                             |                          | 9,959                           |                          | (9,539)                |
| Gain on establishment of trust for employees' pension and retirement benefit                                      |        | —                               |                          | 4,599                           |                          | (4,599)                |
| Gain on sales of affiliates   |        | —                               |                          | 6,387                           |                          | (6,387)                |
| Reversal of allowance for furnace overhaul  |        | 700                             |                          | —                               |                          | 700                    |
| Total   |        | 4,521                           | 0.3                      | 23,928                          | 1.5                      | (19,407)               |
| Special Expenses  |        |                                 |                          |                                 |                          |                        |
| Loss on disposal of fixed assets  | (*4)   | 6,715                           |                          | 4,998                           |                          | 1,717                  |
| Loss on sales of fixed assets   | (*5)   | 379                             |                          | 759                             |                          | (380)                  |
| Loss on disposal of affiliates  |        | —                               |                          | 991                             |                          | (991)                  |
| Write-down of fixed assets of foreign subsidiaries  | (*6)   | —                               |                          | 3,708                           |                          | (3,708)                |
| Loss on revaluation of investment securities  |        | 2,236                           |                          | 3,283                           |                          | (1,047)                |
| Loss on sales of investment securities  |        | 7                               |                          | 1,299                           |                          | (1,292)                |
| Loss on devaluation of golf club membership   | (*7)   | —                               |                          | 2,257                           |                          | (2,257)                |
| Amortization of net transition obligation of accounting standard for employees' severance and retirement benefits |        | —                               |                          | 18,835                          |                          | (18,835)               |
| Loss on devaluation of real estate in trust   |        | 3,352                           |                          | —                               |                          | 3,352                  |
| Premium on retirement benefits  |        | 1,755                           |                          | —                               |                          | 1,755                  |
| Total   |        | 14,447                          | 0.9                      | 36,133                          | 2.3                      | (21,686)               |
| Income before Income Taxes and Minority Interests   |        | 74,517                          | 4.7                      | 57,134                          | 3.7                      | 17,383                 |
| Income Taxes (Current)  |        | 37,092                          | 2.3                      | 40,207                          | 2.6                      | (3,115)                |
| Income Taxes (Deferred)   |        | (878)                           | (0.1)                    | (10,705)                        | (0.7)                    | 9,827                  |
| Minority Interests  |        | 5,762                           | 0.4                      | 4,509                           | 0.3                      | 1,253                  |
| Net Income  |        | 32,540                          | 2.1                      | 23,122                          | 1.5                      | 9,418                  |

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

(¥ millions)

|   | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 | Increase<br>(Decrease) |
|---|---------------------------------|---------------------------------|------------------------|
| Retained earnings at beginning of period  | 608,603                         | 595,575                         | 13,028                 |
| Increase in retained earnings   |                                 |                                 |                        |
| Increase resulting from new affiliates under equity method  | —                               | 4                               | (4)                    |
| Foreign currency translation adjustment of foreign subsidiaries and affiliates                      | 1,167                           | 1,291                           | (124)                  |
| Increase due to revaluation of property, plant and equipment of foreign subsidiaries and affiliates | 1,338                           | —                               | 1,338                  |
| Reversal of revaluation variance for land   | 1                               | —                               | 1                      |
| Increase in retained earnings of an equity method affiliate due to increase of consolidation scope  | —                               | 706                             | (706)                  |
| Total   | 2,507                           | 2,003                           | 504                    |
| Decrease in retained earnings   |                                 |                                 |                        |
| Cash dividends paid   | 11,781                          | 11,814                          | (33)                   |
| Bonuses paid to directors and corporate auditors (corporate auditors' portion included above)       | 205                             | 283                             | (78)                   |
| Decrease resulting from newly consolidated subsidiaries   | 31                              | 28                              | 3                      |
| Decrease due to exclusion of subsidiaries From consolidation scope                                  | 409                             | —                               | 409                    |
| Total   | 511                             | —                               | 511                    |
| Total   | 12,907                          | 12,097                          | 810                    |
| Net income  | 32,540                          | 23,122                          | 9,418                  |
| Retained earnings at end of period  | 630,744                         | 608,603                         | 22,141                 |

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(¥ millions)

|   | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 | Increase<br>(Decrease) |
|---|---------------------------------|---------------------------------|------------------------|
| <b>Cash flows from operating activities</b>   |                                 |                                 |                        |
| Income before income taxes and minority interests                                     | 74,517                          | 57,134                          | 17,383                 |
| Depreciation  | 75,206                          | 73,588                          | 1,618                  |
| Amortization of consolidation differences   | 3,034                           | 2,875                           | 159                    |
| Increase (decrease) in pension and retirement benefits                                | (4,227)                         | 14,870                          | (19,097)               |
| Interest and dividend income and return on funds in trust                             | (3,972)                         | (4,098)                         | 126                    |
| Interest expense  | 8,955                           | 9,733                           | (778)                  |
| Gain on sales of fixed assets   | (3,401)                         | (2,981)                         | (420)                  |
| Gain on sales of marketable securities and investment securities                      | (420)                           | (10,024)                        | 9,604                  |
| Gain on establishment of trust for employees' pension and retirement benefit          | —                               | (4,599)                         | 4,599                  |
| Gain on sales of affiliates   | —                               | (6,387)                         | 6,387                  |
| Loss on disposal or sales of fixed assets   | 7,094                           | 5,757                           | 1,337                  |
| Write-down of fixed assets of foreign subsidiaries                                    | —                               | 3,708                           | (3,708)                |
| Loss on revaluation of investment securities  | 2,236                           | 3,283                           | (1,047)                |
| Loss on devaluation of real estate in trust   | 3,352                           | —                               | 3,352                  |
| Decrease (increase) in notes and accounts receivable                                  | (6,164)                         | (13,945)                        | 7,781                  |
| Decrease (increase) in inventories  | (11,131)                        | (1,762)                         | (9,369)                |
| Increase (decrease) in notes and accounts payable                                     | (11,265)                        | 3,249                           | (14,514)               |
| Increase (decrease) in beer taxes payable   | (6,107)                         | (4,359)                         | (1,748)                |
| Increase (decrease) in deposits received  | (5,587)                         | (9,662)                         | 4,075                  |
| Other   | 8,646                           | (2,356)                         | 11,002                 |
| Sub-total   | 130,766                         | 114,022                         | 16,744                 |
| Interest, dividend and return on funds in trust received                              | 6,227                           | 5,013                           | 1,214                  |
| Interest paid   | (8,785)                         | (9,660)                         | 875                    |
| Income taxes paid   | (40,457)                        | (38,230)                        | (2,227)                |
| <b>Net cash provided by operating activities</b>                                      | <b>87,750</b>                   | <b>71,144</b>                   | <b>16,606</b>          |
| <b>Cash flows from investing activities</b>   |                                 |                                 |                        |
| Payments for purchases of property, plant, equipment and Intangible fixed assets      | (85,492)                        | (71,449)                        | (14,043)               |
| Proceeds from sales of property, plant and equipment                                  | 5,312                           | 4,297                           | 1,015                  |
| Payments for purchases of marketable securities and Investment securities             | (103,832)                       | (9,183)                         | (94,649)               |
| Proceeds from sales and redemption of marketable securities and investment securities | 11,075                          | 30,548                          | (19,473)               |
| Proceeds from termination of funds in trust   | 17,411                          | 20,000                          | (2,589)                |
| Proceeds from termination of life insurance investment                                | —                               | 533                             | (533)                  |
| Payments for investments in consolidated subsidiaries' common stock                   | (12,674)                        | (19,215)                        | 6,541                  |
| Proceeds from sale of consolidated subsidiaries' common stock                         | —                               | 37,086                          | (37,086)               |
| Other   | (7,177)                         | (4,725)                         | (2,452)                |
| <b>Net cash used in investing activities</b>  | <b>(175,377)</b>                | <b>(12,108)</b>                 | <b>(163,269)</b>       |
| <b>Cash flows from financing activities</b>   |                                 |                                 |                        |
| Increase (decrease) in short-term loans payable                                       | 4,331                           | (5,225)                         | 9,556                  |
| Proceeds from long-term debt  | 67,977                          | 18,435                          | 49,542                 |
| Repayments of long-term debt  | (34,327)                        | (36,151)                        | 1,824                  |
| Proceeds from issue of bonds  | 40,000                          | 69,900                          | (29,900)               |
| Payment for redemption of bonds   | —                               | (10,602)                        | 10,602                 |
| Payments for purchases of treasury stock  | (13,542)                        | (82)                            | (13,460)               |
| Cash dividends paid   | (11,777)                        | (11,814)                        | 37                     |
| Cash dividends paid to minority shareholders  | (2,203)                         | (3,489)                         | 1,286                  |
| Other   | 239                             | (104)                           | 343                    |
| <b>Net cash used in financing activities</b>  | <b>50,699</b>                   | <b>20,865</b>                   | <b>29,834</b>          |
| Effect of exchange rate fluctuation on cash and cash equivalents                      | (1,282)                         | 93                              | (1,375)                |
| <b>Net increase (decrease) in cash and cash equivalents</b>                           | <b>(38,209)</b>                 | <b>79,995</b>                   | <b>(118,204)</b>       |
| Cash and cash equivalents at beginning of period                                      | 144,331                         | 64,335                          | 79,996                 |
| Cash and cash equivalents of newly consolidated subsidiaries at beginning of period   | (495)                           | —                               | (495)                  |
| <b>Cash and cash equivalents at end of period</b>                                     | <b>105,625</b>                  | <b>144,331</b>                  | <b>(38,706)</b>        |

## SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATION

The following is the table of scope of consolidation and application of equity method.

| Classification  | Number of companies |
|---|---------------------|
| Consolidated subsidiaries (Note 1)                            | 305                 |
| Unconsolidated subsidiaries applied by equity method (Note 2) | 1                   |
| Affiliated companies applied by equity method (Note 3)        | 16                  |

### (Consolidation)

#### Note 1:

- (1) The names of main consolidated subsidiaries are KIRIN BEVERAGE CORPORATION and LION NATHAN LTD.
- (2) The changes of the scope of consolidation are as follows:
  - (a) Due to acquisition of additional shares, Flower Gate, Inc., KIRIN-ASUPRO SALES CORPORATION and another company became consolidated subsidiaries.
  - (b) Due to new establishment or acquisition, 43 companies including EI SHO GEN CO., LTD. and Takeda-Kirin Foods Corporation became consolidated subsidiaries.
  - (c) Due to the commencement of its operations, YOKOHAMA AKARENGA, INC. became a consolidated subsidiary.
  - (d) Due to the discontinuation of its operations, Kirin International Finance (Netherlands) B.V. was determined to be immaterial and therefore excluded from the consolidation scope.
  - (e) Due to liquidation, a subsidiary of KIRIN BEVERAGE CORPORATION was excluded from the consolidation scope.
  - (f) Due to sales of shares, a subsidiary of LION NATHAN LTD. was excluded from the consolidation scope.
- (3) Subsidiaries including KIRIN AGRIBIO USA, INC. are excluded from the consolidation scope because the effect of their sales and net income or losses for the current fiscal year, and total assets and retained earnings as of December 31, 2002 on the consolidated financial statements are immaterial.
- (4) The following are the names of consolidated subsidiaries whose balance sheet dates are different from that of the Company.

| Name of subsidiary                                 | Balance sheet date |       |
|--|--------------------|-------|
| LION NATHAN LTD. and its subsidiaries              | September 30, 2002 | (*)   |
| TWYFORD INTERNATIONAL INC.<br>and its subsidiaries | September 30, 2002 | (*)   |
| JAPAN POTATO CORPORATION                           | September 30, 2002 | (*)   |
| Kirin-Asupro Co., Ltd.                             | November 30, 2002  | (*)   |
| KIRIN FEED LIMITED                                 | November 30, 2002  | (*)   |
| KIRIN-ASUPRO SALES CORPORATION                     | November 30, 2002  | (*)   |
| EI SHO GEN CO., LTD.                               | March 31, 2002     | (**)  |
| Takeda-Kirin Foods Corporation                     | March 31, 2002     | (***) |

(\*) Financial statements of the consolidated subsidiaries listed above as of their balance sheet dates and for the year then ended are used and necessary adjustments are made for the purpose of consolidation.

(\*\*) The company's adjusted financial statements as of December 31, 2002 and for the year then ended are used for the purpose of consolidation.

(\*\*\*) The company's interim financial statements as of September 30, 2002 and for the year then ended are used and necessary adjustments are made for the purpose of consolidation.

### (Equity Method)

#### Note 2:

The unconsolidated subsidiary applied by equity method is SHANGHAI JINJIANG KIRIN BEVERAGE & FOOD CO., LTD.

#### Note 3:

- (1) The names of main affiliated companies under the equity method are KIRIN DISTELLERY COMPANY LIMITED, KINKI COCA-COLA BOTTLING CO., LTD., YONEKYU CORPORATION and SAN MIGUEL CORPORATION.
- (2) The change of the scope of application of equity method:
  - (a) Due to new establishment and acquisition of shares, SAN MIGUEL CORPORATION, FLOWER SEASON COMPANY, LIMITED and another company became affiliates under equity method.
  - (b) Due to acquisition of additional shares and therefore becoming a consolidated subsidiary, Flower Gate, Inc. KIRIN-ASUPRO SALES CORPORATION was no longer applied by the equity method.

- (3) Investments in unconsolidated subsidiaries including KIRIN AGRIBIO USA, INC. not accounted for by the equity method and affiliated companies including Diamond Sports Club Co., Ltd. not accounted for by the equity method, are stated at cost because the effect of their net income or losses for the current fiscal year and retained earnings as of December 31, 2002 on the consolidated financial statements are immaterial.
- (4) Although the Company holds voting interest greater than 20% yet less than 50% in SOCIETE IMMOBILIERE ET FINANCIERE POUR L'ALIMENTATION, it is not determined to have significant influence over this entity. Therefore above-mentioned company is excluded from affiliates under equity method.
- (5) Where accounting periods of the affiliated companies under the equity method are different from that of the Company, the Company used their financial statements for the current period without any adjustments for equity calculation purposes. Where the difference is more than 6 months, the Company used their latest financial statements and necessary adjustments are made for equity calculation purposes.

1. Valuation of securities

Debt securities intended to be held to maturity are valued by amortized cost method.

Available-for-sale securities with available fair market values are stated at fair market value as of the balance sheet date with unrealized gains and unrealized losses on these securities reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of available-for-sale securities are computed using the moving-average method.

Other securities with no available fair market value are stated at moving-average cost.

2. Derivative financial instruments

Derivative financial instruments are stated at fair values.

3. Valuation of Inventories

Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the average method.

Raw materials and supplies are mainly stated at cost determined by the moving average method.

Construction in process is stated at cost determined by the specific identification method.

4. Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated on the declining balance method, except for buildings (excluding buildings fixtures) acquired on and after April 1, 1998, where depreciation is calculated on the straight-line method. Leased assets are depreciated over each lease term based on the straight-line method with the estimated residual value at the end of the lease term. Consolidated foreign subsidiaries adopt the straight-line method.

5. Amortization of intangible fixed assets

The straight-line method is used for intangible fixed assets over estimated useful lives. Consolidated foreign subsidiaries mainly adopt the straight-line method over 20 years.

6. Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses.

7. Pension and retirement benefits

The Company and consolidated subsidiaries provide allowance for employees' pension and retirement benefits at December 31, 2002 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the date. Actuarial differences are amortized by the straight-line method over the average estimated service period, which is 15 years, beginning from the next fiscal year.

8. Retirement benefits for directors and corporate auditors

Provision for retirement benefits for directors and corporate auditors represents 100% of such retirement benefit obligations at December 31, 2002 calculated in accordance with policies of the Company and subsidiaries.

9. Reserve for repair and maintenance of vending machines

KIRIN BEVERAGE CORPORATION and its consolidated subsidiaries provide reserve for repair and maintenance cost of vending machines, by estimating the necessary repair and maintenance cost in the future, allocating the costs over 5 year period. The actual expenditure is deducted in the balance of the reserve on the balance sheet.

10. Leases

Finance leases, except for those leases under which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

Consolidated foreign subsidiaries mainly capitalize finance leases.

11. Hedge accounting

Where certain hedging criteria are met, the Company defers the recognition of gains and losses resulting from the changes in fair value of derivative financial instruments until the related losses or gains on the hedging items are recognized.

For forward foreign exchange contracts used for hedging purposes, the foreign currency receivables or payables are recorded at the contracted forward rates. In addition, for interest rate swap contracts meeting hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added or to be deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company and its subsidiaries use forward foreign currency contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to foreign currency receivables from the sale of the Companies' products and interest rate increases with respect to borrowings, within the amounts of foreign currency borrowings or receivables.

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

| Hedging instruments                | Hedged items  |
|------------------------------------|---|
| Forward foreign exchange contracts | Foreign currency trade receivables and trade payables |
| Interest rate swap contracts       | loans receivable and loans payable                    |
| Commodity swap contracts           | Commodity price                                       |

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

12. Consumption tax

Consumption tax is excluded from the revenue and expense accounts, which are subject to such tax.

13. Valuation of the assets and liabilities of consolidated subsidiaries

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 the respective subsidiaries were initially consolidated.

14. Consolidation differences

Differences between the cost and the underlying net equity of investments in consolidated subsidiaries and affiliates, which are accounted for by the equity method is amortized using the straight-line method over 15 to 20 years. Where the difference is small, it is recognized as expense when incurred.

15. Appropriation of retained earnings

The appropriation of retained earnings of the consolidated subsidiaries is based upon the appropriation resolved at the subsidiaries during the current fiscal year.

16. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-time highly liquid investments with negligible risk of changes in value and maturity of not exceeding 3 months at the time of purchase are considered to be cash and cash equivalents.

NOTES TO:

(CONSOLIDATED BALANCE SHEETS)

1 Accumulated depreciation (¥ millions)

|                          | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--------------------------|-------------------------|-------------------------|
| Accumulated depreciation | 753,504                 | 724,174                 |

2 Investments in non-consolidated subsidiaries and affiliates (¥ millions)

|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--|-------------------------|-------------------------|
| Investments in securities (Stocks)             | 136,533                 | 69,472                  |
| Other in investments and other assets (Equity) | 209                     | 306                     |

3 Detail of collateral

(1) Collateral (¥ millions)

|   | At<br>December 31, 2002 | At<br>December 31, 2001 |
|---|-------------------------|-------------------------|
| Cash  | 0                       | —                       |
| Notes and accounts receivable                     | 359                     | 391                     |
| Inventories                                       | 3,031                   | 3,055                   |
| Buildings and structures                          | 1,822                   | 1,432                   |
| Machinery, equipment and vehicles                 | 2,007                   | 1,719                   |
| Land  | 950                     | 1,132                   |
| Other of property, plant and Equipment (Fixtures) | 27                      | 35                      |
| Other of intangible fixed assets                  | 149                     | —                       |
| Investment securities                             | 29                      | 33                      |
| Total   | 8,379                   | 7,800                   |

Following assets, which are included above, are pledged as factory foundation collateral

|                                   |     |       |
|-----------------------------------|-----|-------|
| Buildings and structures          | 273 | 313   |
| Machinery, equipment and vehicles | 33  | 36    |
| Land                              | 383 | 657   |
| Total                             | 690 | 1,008 |

(2) Secured borrowing (¥ millions)

|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--|-------------------------|-------------------------|
| Short-term loans payable                                       | 3,963                   | 2,400                   |
| Long-term debt (include current maturities of long-term loans) | 2,267                   | 1,630                   |
| Deposits received  | 3,408                   | 3,408                   |
| Postage charge (facility limit)                                | 13                      | 29                      |
| Total  | 9,653                   | 7,468                   |

Following borrowings, which are included above, are guaranteed by factory foundation collateral

|                          |       |       |
|--------------------------|-------|-------|
| Short-term loans payable | 2,100 | 2,400 |
|--------------------------|-------|-------|

1. Factory foundation collateral consists of the Headquarters factory and Matsumoto factory of Nagano Tomato Corporation.

4 Contingent liabilities

| (1) Guarantees for unconsolidated subsidiaries and affiliated companies (¥ millions) |                         |                         |
|--|-------------------------|-------------------------|
|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|  | 1,825                   | 2,644                   |
| (Number)   | 4                       | 5)                      |
| (2) Guarantees for employee's housing loan from banks (¥ millions)                   |                         |                         |
|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|  | 11,609                  | 13,399                  |
| (3) Guarantees for customers (¥ millions, Foreign currency: thousand)                |                         |                         |
|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
| Southeastern Container, Inc.   | 1,331                   | 1,464                   |
|  | USD 11,102              | USD 11,102              |
| Other  | 924                     | 858                     |
| (Number)   | 61                      | 55)                     |
| -----  |                         |                         |
| Foreign currencies included above  | 780                     | 443                     |
|  | AUD11,704               | AUD 7,631               |
|  | NZD 5                   |                         |
| Total contingent liabilities   | 15,691                  | 18,368                  |
| (Agreements similar to guarantees included above)                                    | 1,025                   | 969)                    |

5 Revaluation of land

KIRIN BEVERAGE CORPORATION revalued land used for business pursuant to Law Concerning Revaluation Reserve for Land (effective March 31, 1998) and revision of the Law on March 31, 2001.

Due to revaluation of land in assets, the revaluation difference, net of tax, is accounted for as revaluation variance for land in shareholders' equity, and tax portion is accounted for as deferred income taxes.

Revaluation was performed by adjusting the road rating pursuant to Article 2, Paragraph 4 of the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land effective March 31, 1998.

Where the road rating is not provided, adjusted valuation of real estate tax set in the Article 2, Paragraph 3 was used.

Date of revaluation December 31, 2001

| (¥ millions)  |                         |                         |
|---|-------------------------|-------------------------|
|   | At<br>December 31, 2002 | At<br>December 31, 2001 |
| The difference between the fair value and carrying amounts of the revaluated land at year-end | 1,773                   | —                       |

(CONSOLIDATED STATEMENTS OF INCOME)

| 1 Major elements of selling, general and administrative expenses (¥ millions) |                                 |                                 |
|---|---------------------------------|---------------------------------|
|   | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Sales promotion   | 136,364                         | 139,870                         |
| Freight   | 45,023                          | 45,546                          |
| Advertising   | 56,626                          | 61,290                          |
| Pension and retirement benefit costs  | 10,290                          | 8,078                           |
| Employee's compensation   | 88,378                          | 82,658                          |
| Research and development  | 22,771                          | 22,868                          |
| Depreciation  | 24,143                          | 24,571                          |

| 2 Research and development expenses included in selling, general and administrative expenses and cost of sales (¥ millions) |                                 |                                 |
|---|---------------------------------|---------------------------------|
|   | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Total Research and development expenses   | 23,024                          | 23,063                          |

| 3 Gain on sales of fixed assets (¥ millions) |                                 |                                 |
|--|---------------------------------|---------------------------------|
|  | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Land   | 3,157                           | 2,897                           |
| Other  | 243                             | 83                              |
| Total  | 3,401                           | 2,981                           |

| 4 Loss on disposal of fixed assets (¥ millions) |                                 |                                 |
|---|---------------------------------|---------------------------------|
|   | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Buildings and structures                        | 3,323                           | 2,328                           |
| Machinery, equipment and vehicles               | 3,114                           | 2,407                           |
| Other   | 277                             | 262                             |
| Total   | 6,715                           | 4,998                           |

| 5 Loss on sales of fixed assets (¥ millions) |                                 |                                 |
|--|---------------------------------|---------------------------------|
|  | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Buildings and structures                     | 80                              | 401                             |
| Machinery, equipment and vehicles            | 197                             | 255                             |
| Other  | 101                             | 102                             |
| Total  | 379                             | 759                             |

6 Write-down of fixed assets of foreign subsidiaries

Write-down of fixed assets of foreign subsidiaries represent impairment loss of goodwill and other assets of LION NATHAN LTD. 2001.

7 Loss on devaluation of golf club membership

Doubtful accounts expense for security deposit of golf club membership

(CONSOLIDATED STATEMENTS OF CASH FLOWS)

1 Reconciliation between cash and cash equivalents on consolidated statements of cash flows at end of period and related accounts on consolidated balance sheets is as follows:

(¥ millions)

|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--|-------------------------|-------------------------|
| Cash                                       | 108,148                 | 143,525                 |
| Marketable securities                      | 2,017                   | 12,272                  |
| Fixed (time) deposit over 3 months         | (2,522)                 | (3,411)                 |
| Marketable securities over 3 months        | (2,017)                 | (8,054)                 |
| Cash and cash equivalents at end of period | 105,625                 | 144,331                 |

2 Assets and liabilities of the newly consolidated subsidiaries by acquisition

(¥ millions)

|   | At<br>December 31, 2002 | At<br>December 31, 2001 |
|---|-------------------------|-------------------------|
| Current Assets                                      | 32,572                  | 11,938                  |
| Fixed Assets  | 25,591                  | 44,457                  |
| Consolidation differences                           | 3,076                   | 92                      |
| Current Liabilities                                 | (8,112)                 | (4,423)                 |
| Long-term Liabilities                               | (13,321)                | (14,933)                |
| Minority interests                                  | (5,390)                 | (10,240)                |
| Acquisition cost                                    | 34,415                  | 26,891                  |
| Acquisition cost at the beginning of the period     | (925)                   | (7,803)                 |
| Acquisition cost during the period                  | 33,490                  | 19,087                  |
| Cash and cash equivalents of the acquired companies | (20,816)                | 127                     |
| Expenditure of acquisition                          | 12,674                  | 19,215                  |

3 Assets and liabilities of the companies excluded from consolidation scope due to sales of stock

(¥ millions)

|                       | At<br>December 31, 2002 | At<br>December 31, 2001 |
|-----------------------|-------------------------|-------------------------|
| Current Assets        | —                       | 10,310                  |
| Fixed Assets          | —                       | 42,603                  |
| TOTAL ASSETS          | —                       | 52,914                  |
| Current Liabilities   | —                       | (2,611)                 |
| Long-term Liabilities | —                       | (15,545)                |
| TOTAL LIABILITIES     | —                       | (18,157)                |

4 Non cash transaction

Securities contributed to employees' pension and retirement benefits trust

(¥ millions)

|                              | At<br>December 31, 2002 | At<br>December 31, 2001 |
|------------------------------|-------------------------|-------------------------|
| Securities contributed       | —                       | 3,802                   |
| Gain on contribution         | —                       | 4,599                   |
| Total Securities contributed | —                       | 8,401                   |

## (SEGMENT INFORMATION)

## 1. Business Segment Information

(¥ millions)

|  | Year ended December 31, 2002 |             |         |           |                           |              |
|--|------------------------------|-------------|---------|-----------|---------------------------|--------------|
|  | Alcoholic beverages          | Soft drinks | Other   | Total     | Elimination/ Unallocation | Consolidated |
| Sales, operating expenses and operating income |                              |             |         |           |                           |              |
| Sales  |                              |             |         |           |                           |              |
| 1 Unaffiliated customers                       | 1,069,521                    | 342,946     | 170,780 | 1,583,248 | —                         | 1,583,248    |
| 2 Intersegment                                 | 2,941                        | 955         | 109,173 | 113,070   | (113,070)                 | —            |
| Total sales                                    | 1,072,463                    | 343,901     | 279,954 | 1,696,319 | (113,070)                 | 1,583,248    |
| Operating expenses                             | 1,013,342                    | 324,954     | 265,031 | 1,603,328 | (109,869)                 | 1,493,459    |
| Operating income                               | 59,120                       | 18,946      | 14,923  | 92,991    | (3,201)                   | 89,789       |
| Assets, depreciation and capital expenditure   |                              |             |         |           |                           |              |
| Assets   | 897,449                      | 239,117     | 317,311 | 1,453,878 | 290,253                   | 1,744,131    |
| Depreciation                                   | 42,842                       | 15,738      | 15,362  | 73,943    | 1,263                     | 75,206       |
| Capital expenditure                            | 33,342                       | 20,506      | 30,115  | 83,964    | 1,332                     | 85,296       |

(¥ millions)

|  | Year ended December 31, 2001 |             |         |           |                           |              |
|--|------------------------------|-------------|---------|-----------|---------------------------|--------------|
|  | Alcoholic beverages          | Soft drinks | Other   | Total     | Elimination/ Unallocation | Consolidated |
| Sales, operating expenses and operating income |                              |             |         |           |                           |              |
| Sales  |                              |             |         |           |                           |              |
| 1 Unaffiliated customers                       | 1,078,004                    | 332,951     | 150,922 | 1,561,879 | —                         | 1,561,879    |
| 2 Intersegment                                 | 2,845                        | 1,296       | 129,678 | 133,819   | (133,819)                 | —            |
| Total sales                                    | 1,080,849                    | 334,248     | 280,600 | 1,695,698 | (133,819)                 | 1,561,879    |
| Operating expenses                             | 1,034,393                    | 317,128     | 264,733 | 1,616,255 | (129,441)                 | 1,486,814    |
| Operating income                               | 46,455                       | 17,120      | 15,867  | 79,443    | (4,378)                   | 75,065       |
| Assets, depreciation and capital expenditure   |                              |             |         |           |                           |              |
| Assets   | 759,833                      | 233,771     | 288,247 | 1,281,853 | 379,799                   | 1,661,652    |
| Depreciation                                   | 40,960                       | 16,105      | 14,637  | 71,703    | 1,885                     | 73,588       |
| Capital expenditure                            | 40,698                       | 15,481      | 16,866  | 73,046    | 517                       | 73,564       |

Notes: 1. Types and nature of products are considered in classification of business segments.

2. Main products of sales by segment are as follows;

| Sales by segment    | Main products   |
|---------------------|---|
| Alcoholic beverages | Beer, Sparkling malt liquor ( <i>Happo-shu</i> ), Whiskey, Spirits, Wine etc. |
| Soft drinks         | Soft drink, Other drink   |
| Other               | Pharmaceutical products, Engineering, Logistics, Floriculture etc.            |

3. Unallocable operating expenses included in "Elimination / Unallocation" mainly consist of costs for new business development and costs for research and development of new basic technologies.

Year ended December 31, 2002 ¥ 3,583million

Year ended December 31, 2001 ¥ 3,982million

4. Unallocable assets included in "Elimination / unallocation" mainly consist of surplus funds (cash and marketable securities), long-term investments (investment securities and life insurance investments), and assets which belong to administrative department of the Company.

Year ended December 31, 2002 ¥ 333,309million

Year ended December 31, 2001 ¥ 410,749million

## 2. Geographical Segment Information

(¥ millions)

|   | Year ended December 31, 2002 |                  |        |           |                              | Consolidated |
|---|------------------------------|------------------|--------|-----------|------------------------------|--------------|
|   | Japan                        | Asia,<br>Oceania | Other  | Total     | Elimination/<br>Unallocation |              |
| Sales, operating expenses<br>and operating income |                              |                  |        |           |                              |              |
| Sales   |                              |                  |        |           |                              |              |
| 1 Unaffiliated customers                          | 1,404,629                    | 121,769          | 56,849 | 1,583,248 | —                            | 1,583,248    |
| 2 Intersegment                                    | 2,035                        | 1,223            | 1,518  | 4,777     | (4,777)                      | —            |
| Total sales                                       | 1,406,665                    | 122,993          | 58,368 | 1,588,026 | (4,777)                      | 1,583,248    |
| Operating expenses                                | 1,333,980                    | 106,905          | 53,790 | 1,494,676 | (1,216)                      | 1,493,459    |
| Operating income                                  | 72,684                       | 16,087           | 4,578  | 93,350    | (3,561)                      | 89,789       |
| Assets  | 1,049,397                    | 297,583          | 75,426 | 1,422,408 | 321,723                      | 1,744,131    |

(¥ millions)

|   | Year ended December 31, 2001 |                  |        |           |                              | Consolidated |
|---|------------------------------|------------------|--------|-----------|------------------------------|--------------|
|   | Japan                        | Asia,<br>Oceania | Other  | Total     | Elimination/<br>Unallocation |              |
| Sales, operating expenses<br>and operating income |                              |                  |        |           |                              |              |
| Sales   |                              |                  |        |           |                              |              |
| 1 Unaffiliated customers                          | 1,408,904                    | 105,224          | 47,750 | 1,561,879 | —                            | 1,561,879    |
| 2 Intersegment                                    | 2,268                        | 910              | 703    | 3,882     | (3,882)                      | —            |
| Total sales                                       | 1,411,172                    | 106,135          | 48,453 | 1,565,761 | (3,882)                      | 1,561,879    |
| Operating expenses                                | 1,349,543                    | 91,998           | 45,035 | 1,486,577 | 236                          | 1,486,814    |
| Operating income                                  | 61,629                       | 14,136           | 3,417  | 79,184    | (4,119)                      | 75,065       |
| Assets  | 1,003,365                    | 186,513          | 62,289 | 1,252,168 | 409,484                      | 1,661,652    |

Notes: 1. Geographical distances are considered in classification of country or area.

2. Major countries or areas included in each segment except for Japan are as follows;

|               |                                    |
|---------------|------------------------------------|
| Asia, Oceania | East Asia, Southeast Asia, Oceania |
| Other         | USA, Europe                        |

3. Amounts and major items included in "Elimination/Unallocation" are the same as those described in Notes 3 and 4 in "1. Business Segment Information".

## 3. Overseas sales

(¥ millions)

|   | Year ended December 31, 2002 |        |           |
|---|------------------------------|--------|-----------|
|   | Asia, Oceania                | Other  | Total     |
| I Overseas sales  | 122,982                      | 58,073 | 181,056   |
| II Consolidated sales                                     | —                            | —      | 1,583,248 |
| III Percentage of overseas sales to consolidated sales(%) | 7.8                          | 3.7    | 11.4      |

(¥ millions)

|   | Year ended December 31, 2001 |        |           |
|---|------------------------------|--------|-----------|
|   | Asia, Oceania                | Other  | Total     |
| I Overseas sales  | 105,879                      | 48,100 | 153,979   |
| II Consolidated sales                                     | —                            | —      | 1,561,879 |
| III Percentage of overseas sales to consolidated sales(%) | 6.8                          | 3.1    | 9.9       |

Notes: 1. Geographical distances are considered in classification of country or area.

2. Major countries or areas included in each segment are as follows;

|               |                                    |
|---------------|------------------------------------|
| Asia, Oceania | East Asia, Southeast Asia, Oceania |
| Other         | USA, Europe                        |

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

(LEASE TRANSACTIONS)

Lessee lease

(Finance lease transactions without ownership transfer to lessee)

(1) Purchase price equivalent, accumulated depreciation equivalent and book value equivalent of leased properties

(¥ millions)

|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--|-------------------------|-------------------------|
| Machinery, equipment and vehicles            |                         |                         |
| Purchase price equivalent                    | 2,468                   | 2,794                   |
| Accumulated depreciation equivalent          | 1,279                   | 1,462                   |
| Book value equivalent                        | 1,188                   | 1,331                   |
| Property, plant and equipment, other (Tools) |                         |                         |
| Purchase price equivalent                    | 2,953                   | 4,165                   |
| Accumulated depreciation equivalent          | 1,585                   | 2,700                   |
| Book value equivalent                        | 1,368                   | 1,465                   |
| Total  |                         |                         |
| Purchase price equivalent                    | 5,422                   | 6,959                   |
| Accumulated depreciation equivalent          | 2,864                   | 4,162                   |
| Book value equivalent                        | 2,557                   | 2,797                   |

(2) Lease commitments

(¥ millions)

|                     | At<br>December 31, 2002 | At<br>December 31, 2001 |
|---------------------|-------------------------|-------------------------|
| Due within one year | 960                     | 1,142                   |
| Due over one year   | 1,657                   | 1,822                   |
| Total               | 2,617                   | 2,964                   |

(3) Lease payments, depreciation equivalent and interest equivalent

(¥ millions)

|                         | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
|-------------------------|---------------------------------|---------------------------------|
| Lease payments          | 1,350                           | 1,495                           |
| Depreciation equivalent | 1,197                           | 1,257                           |
| Interest equivalent     | 72                              | 87                              |

(4) Method of computing depreciation equivalent

Depreciation equivalent is computed on the straight-line method over the lease terms with residual value of zero.

(5) Allocation of interest equivalent

Differences between total lease expenses and its acquisition costs of the leased properties comprise interest equivalent and insurance, maintenance and certain other operating costs. Interest equivalent is allocated using interest method over the terms of leases.

(Operating lease transactions)

Lease commitments

(¥ millions)

|                     | At<br>December 31, 2002 | At<br>December 31, 2001 |
|---------------------|-------------------------|-------------------------|
| Due within one year | 2,147                   | 1,408                   |
| Due over one year   | 6,421                   | 3,639                   |
| Total               | 8,568                   | 5,048                   |

Lessor lease

(Finance lease transactions without ownership transfer to lessee)

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

(¥ millions)

|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--|-------------------------|-------------------------|
| Property, plant and equipment, other (Leased assets) |                         |                         |
| Purchase price                                       | 18,313                  | 18,600                  |
| Accumulated depreciation                             | 11,498                  | 11,837                  |
| Book value   | 6,815                   | 6,762                   |
| Intangible fixed assets, other (Leased assets)       |                         |                         |
| Purchase price                                       | —                       | —                       |
| Accumulated depreciation                             | —                       | —                       |
| Book value   | 739                     | 696                     |
| Total  |                         |                         |
| Purchase price                                       | 18,313                  | 18,600                  |
| Accumulated depreciation                             | 11,498                  | 11,837                  |
| Book value   | 7,554                   | 7,458                   |

(2) Lease commitments

(¥ millions)

|                     | At<br>December 31, 2002 | At<br>December 31, 2001 |
|---------------------|-------------------------|-------------------------|
| Due within one year | 2,024                   | 2,235                   |
| Due over one year   | 5,813                   | 5,512                   |
| Total               | 7,838                   | 7,748                   |

(3) Lease revenue, depreciation and interest equivalent

(¥ millions)

|                     | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
|---------------------|---------------------------------|---------------------------------|
| Lease revenue       | 2,860                           | 3,030                           |
| Depreciation        | 2,448                           | 2,502                           |
| Interest equivalent | 381                             | 334                             |

(4) Allocation of interest equivalent

Interest equivalent is allocated using the interest method over the terms of leases.

(Related party transactions)

Disclosure for related party transactions is omitted, as there have been no significant transactions with related parties.

(Deferred income taxes)

1. Significant components of deferred income tax assets and liabilities

(¥ millions)

|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--|-------------------------|-------------------------|
| Deferred income tax assets   |                         |                         |
| Pension and retirement benefits  | 31,938                  | 35,959                  |
| Deferred charges   | 9,924                   | 9,261                   |
| Depreciation   | 8,328                   | 8,410                   |
| Unrealized profits on fixed assets   | 4,105                   | 4,050                   |
| Other  | 35,209                  | 32,667                  |
| Sub-total  | 89,507                  | 90,349                  |
| Less valuation allowance   | (94)                    | (300)                   |
| Total deferred income tax assets   | 89,413                  | 90,049                  |
| Deferred income tax liabilities  |                         |                         |
| Reserve for deferred gains on sales of fixed assets for tax purposes                       | (10,186)                | (11,000)                |
| Net unrealized holding gains on securities   | (4,794)                 | (14,020)                |
| Accelerated depreciation for foreign subsidiary  | (4,201)                 | (4,064)                 |
| Other  | (5,917)                 | (6,949)                 |
| Total deferred income tax liabilities  | (25,099)                | (36,034)                |
| Net deferred income tax assets   | 64,313                  | 54,014                  |
| Deferred income tax due to revaluation of land   | 1,997                   | 1,995                   |
| Net deferred income tax assets are included in the consolidated balance sheets as follows: |                         |                         |
| Current Assets- Deferred income tax assets   | 17,788                  | 17,188                  |
| Fixed Assets -Deferred income tax assets   | 55,868                  | 45,191                  |
| Current Liabilities-Other  | (10)                    | (5)                     |
| Long-term Liabilities-Other  | (9,333)                 | (8,359)                 |

2. Significant components of difference between the statutory tax rate and the effective tax rate

(%)

|   | At<br>December 31, 2002 | At<br>December 31, 2001 |
|---|-------------------------|-------------------------|
| Statutory tax rate                        | 42.1                    | 42.1                    |
| Permanent difference — expenses           | 3.4                     | 6.9                     |
| Permanent difference — revenues           | (1.0)                   | (1.3)                   |
| Per capita inhabitants taxes              | 0.4                     | 0.5                     |
| Amortization of consolidation differences | 1.7                     | 2.1                     |
| Other                                     | 2.0                     | 1.3                     |
| Effective tax rate                        | 48.6                    | 51.6                    |

## (SECURITIES)

## 1. Held-to-maturity securities with market values (¥ millions)

| Securities whose market value exceeds the book value         | At December 31, 2002 |              |            | At December 31, 2001 |              |            |
|--|----------------------|--------------|------------|----------------------|--------------|------------|
|  | Book value           | Market value | Difference | Book value           | Market value | Difference |
| Governmental/municipal bonds                                 | 1,348                | 1,374        | 26         | 1,048                | 1,075        | 26         |
| Corporate bonds  | 1,341                | 1,357        | 15         | 1,787                | 1,810        | 23         |
| Other  | —                    | —            | —          | —                    | —            | —          |
| <b>Sub-Total</b>   | <b>2,689</b>         | <b>2,731</b> | <b>41</b>  | <b>2,835</b>         | <b>2,885</b> | <b>49</b>  |
| Securities whose market value does not exceed the book value | Book value           | Market value | Difference | Book value           | Market value | Difference |
| Governmental/municipal bonds                                 | 49                   | 49           | (0)        | 49                   | 49           | (0)        |
| Corporate bonds  | —                    | —            | —          | —                    | —            | —          |
| Other  | —                    | —            | —          | —                    | —            | —          |
| <b>Sub-Total</b>   | <b>49</b>            | <b>49</b>    | <b>(0)</b> | <b>49</b>            | <b>49</b>    | <b>(0)</b> |
| <b>Total</b>   | <b>2,739</b>         | <b>2,781</b> | <b>41</b>  | <b>2,885</b>         | <b>2,935</b> | <b>49</b>  |

## 2. Available-for-sale securities with market values (¥ millions)

| Securities whose book value exceeds their acquisition cost         | At December 31, 2002 |                |                 | At December 31, 2001 |                |                |
|--|----------------------|----------------|-----------------|----------------------|----------------|----------------|
|  | Acquisition cost     | Book value     | Difference      | Acquisition cost     | Book value     | Difference     |
| Stocks   | 65,890               | 89,819         | 23,929          | 91,783               | 127,407        | 35,624         |
| <b>Bonds</b>   |                      |                |                 |                      |                |                |
| Governmental/municipal bonds                                       | 49                   | 54             | 4               | 49                   | 56             | 6              |
| Corporate bonds  | 13                   | 14             | 1               | 60                   | 64             | 4              |
| Other  | 999                  | 1,001          | 1               | 6,498                | 6,545          | 47             |
| Other  | 50                   | 50             | 0               | 5,076                | 5,149          | 72             |
| <b>Sub-Total</b>   | <b>67,003</b>        | <b>90,941</b>  | <b>23,936</b>   | <b>103,468</b>       | <b>139,223</b> | <b>35,755</b>  |
| Securities whose book value does not exceed their acquisition cost | Acquisition cost     | Book value     | Difference      | Acquisition cost     | Book value     | Difference     |
| Stocks   | 70,635               | 57,307         | (13,327)        | 18,389               | 15,950         | (2,439)        |
| <b>Bonds</b>   |                      |                |                 |                      |                |                |
| Governmental/municipal bonds                                       | —                    | —              | —               | —                    | —              | —              |
| Corporate bonds  | —                    | —              | —               | —                    | —              | —              |
| Other  | —                    | —              | —               | —                    | —              | —              |
| Other  | 2,063                | 2,055          | (7)             | 2,395                | 2,348          | (47)           |
| <b>Sub-Total</b>   | <b>72,698</b>        | <b>59,363</b>  | <b>(13,334)</b> | <b>20,785</b>        | <b>18,298</b>  | <b>(2,486)</b> |
| <b>Total</b>   | <b>139,702</b>       | <b>150,305</b> | <b>10,602</b>   | <b>124,253</b>       | <b>157,522</b> | <b>33,268</b>  |

## 3. Available-for-sale securities sold during the period (¥ millions)

| Amount sold         | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---------------------|------------------------------|------------------------------|
| Amount sold         | 1,719                        | 13,252                       |
| Total gain on sales | 420                          | 10,024                       |
| Total loss on sales | 7                            | 1,302                        |

4. Book value of major securities not measured at fair value (¥ millions)

|                                      | Year ended December 31, 2002 | Year ended December 31, 2001 |
|--------------------------------------|------------------------------|------------------------------|
| Available-for-sale securities        |                              |                              |
| Unlisted securities                  | 43,209                       | 41,751                       |
| Investment fund constituted of bonds | —                            | 1,637                        |
| Mid term government security fund    | —                            | 987                          |
| Other                                | 135                          | 1,045                        |
| <b>Total</b>                         | <b>43,345</b>                | <b>45,421</b>                |

5. The redemption schedule of available-for-sale securities with maturity dates and held-to-maturity securities

(as of December 31, 2002) (¥millions)

|                              | Due within 1 year | 1 to 5 years | 5 to 10 years | Over 10 years |
|------------------------------|-------------------|--------------|---------------|---------------|
| Bonds                        |                   |              |               |               |
| Governmental/municipal bonds | 149               | 1,302        | —             | —             |
| Corporate bonds              | 815               | 541          | —             | —             |
| Other                        | 1,001             | —            | —             | —             |
| Other                        | 50                | —            | —             | —             |
| <b>Total</b>                 | <b>2,017</b>      | <b>1,843</b> | <b>—</b>      | <b>—</b>      |

(as of December 31, 2002) (¥millions)

|                              | Due within 1 year | 1 to 5 years | 5 to 10 years | Over 10 years |
|------------------------------|-------------------|--------------|---------------|---------------|
| Bonds                        |                   |              |               |               |
| Governmental/municipal bonds | —                 | 1,154        | —             | —             |
| Corporate bonds              | 644               | 1,143        | —             | —             |
| Other                        | 5,562             | 1,013        | —             | —             |
| Other                        | 2,233             | —            | —             | —             |
| <b>Total</b>                 | <b>8,440</b>      | <b>3,311</b> | <b>—</b>      | <b>—</b>      |

6. Impairment loss on investment securities

Impairment loss of ¥ 2,236millions was recognized for available-for-sale securities in the year ended December 31, 2002. Where the fair values of available-for-sale securities have declined by more than 30% from their acquisition costs, the value of those securities are considered to have "substantially declined" and the important losses are recorded on those securities, unless the values are considered recoverable. For available-for-sale securities without available fair value, when substantive values of those securities have declined by more than 50% from their acquisition costs, the values of those securities are considered to have "substantially declined" and the important losses are recorded on those securities, except for the cases where the recoverability of the values of those securities in the future is supported by a reasonable ground.

Impairment loss of ¥ 3,283millions was recognized for available-for-sale securities in the year ended December 31, 2001. Where the fair values of available-for-sale securities have declined by more than 30% from their acquisition costs, the value of those securities are considered to have "substantially declined" and the important losses are recorded on those securities, unless the values are considered recoverable. For available-for-sale securities without available fair value, when substantive values of those securities have declined by more than 50% from their acquisition costs, the values of those securities are considered to have "substantially declined" and the important losses are recorded on those securities, except for the cases where the recoverability of the values of those securities in the future is supported by a reasonable ground.

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(DERIVATIVE TRANSACTIONS)

At December 31, 2002

Disclosure of derivative transactions is omitted, because hedge accounting applies to all of the derivative contracts utilized by Kirin Brewery Company, Limited and its consolidated subsidiaries.

At December 31, 2001

Disclosure of derivative transactions is omitted, because hedge accounting applies to all of the derivative contracts utilized by Kirin Brewery Company, Limited and its consolidated subsidiaries.

(Pension and retirement benefits)

1. Summary of the pension and retirement benefit plan

The Company and its subsidiaries provide three types of contributory defined benefit plans, which are lump-sum severance payment, Welfare Pension Fund, and approved retirement pension. Premium on retirement benefit may be added upon retirement of employees. Several foreign subsidiaries provide defined contribution plans and/or defined benefit plans. The Company has established trust for employees' pension and retirement benefit.

| 2. Pension and retirement benefit obligation |                     | (¥ million)         |
|--|---------------------|---------------------|
|  | At December 31,2002 | At December 31,2001 |
| (1) Projected benefit obligation             | (347,351)           | (315,240)           |
| (2) Fair value of plan assets                | 167,291             | 174,482             |
| (3) Unfunded pension obligation (1)+(2)      | (180,059)           | (140,757)           |
| (4) Unrecognized actuarial difference        | 84,645              | 40,697              |
| (5) Pension and retirement benefit (3)+(4)   | (95,414)            | (100,060)           |

Notes: 1. Substitutional portion of the Welfare Pension Fund is included.

2. Several subsidiaries compute the projected benefit obligation by using simplified method.

| 3. Pension and retirement benefit expenses    |                             | (¥ million)                 |
|---|-----------------------------|-----------------------------|
|   | Year ended December 31,2002 | Year ended December 31,2001 |
| (1) Service cost (Notes1, 2)                  | 9,376                       | 8,912                       |
| (2) Interest cost                             | 9,349                       | 9,651                       |
| (3) Expected return on plan assets            | (5,687)                     | (5,782)                     |
| (4) Amortization of net transition obligation | —                           | 18,835                      |
| (5) Amortization of actuarial difference      | 2,707                       | —                           |
| (6) Pension and retirement benefits expenses  | 15,745                      | 31,616                      |

Notes: 1. Employees' contribution to the Welfare Pension Fund is excluded.

2. Pension and retirement benefits expenses of subsidiaries using simplified method are included.

4. Basis for calculation of pension and retirement benefits, etc.

|  | Year ended December 31,2002 | Year ended December 31,2001 |
|--|-----------------------------|-----------------------------|
| (1) Periodic allocation of anticipated pension and retirement benefits | Straight-line method        | Straight-line method        |
| (2) Discount rate  | mainly 2.5%                 | 3.0%                        |
| (3) Expected rate of return on plan assets                             | mainly 3.5%                 | mainly 3.5%                 |
| (4) Periods over which the actuarial difference is amortized           | 15 years                    | 15 years                    |
| (5) Periods over which the net transition obligation is amortized      | —                           | 1 year                      |

(PRODUCTION, ORDERS RECEIVED AND SALES)

(1) PRODUCTION PERFORMANCE

Production performance for the current fiscal year classified by the type of business segment is as follows:

| Business Segment    | year ended December 31, 2002 | Percentage change (%) |
|---------------------|------------------------------|-----------------------|
| Alcoholic beverages | 1,009,811 (¥ millions)       | (1.1)                 |
| Soft drinks         | 102,947 (¥ millions)         | 3.8                   |
| Other               | 96,697 (¥ millions)          | 9.9                   |
| Total               | 1,209,456 (¥ millions)       | 0.1                   |

Notes: The amounts are calculated based on sales price without consumption taxes.

(2) ORDERS RECEIVED

Orders received for the current fiscal year classified by the type of business segment is as follows:

The Company and its subsidiaries manufacture their products based on their projection for market demand except for contract manufacture in "alcoholic beverages" and "soft drinks" segments and inspection machines and others in "other" segment

| Business Segment    | Orders received during period | Percentage change (%) | Backlog            | Percentage change (%) |
|---------------------|-------------------------------|-----------------------|--------------------|-----------------------|
| Alcoholic beverages | 224 (¥ millions)              | —                     | —                  | —                     |
| Soft drinks         | 1,086 (¥ millions)            | 130.6                 | —                  | —                     |
| Other               | 7,912 (¥ millions)            | (25.5)                | 1,114 (¥ millions) | (60.6)                |
| Total               | 9,223 (¥ millions)            | (16.9)                | 1,114 (¥ millions) | (60.6)                |

Notes: The amounts are calculated based on sales price without consumption taxes.

(3) SALES PERFORMANCE

Sales performance for the current fiscal year classified by the type of business segment is as follows:

| Business Segment    | year ended December 31, 2002 | Percentage change (%) |
|---------------------|------------------------------|-----------------------|
| Alcoholic beverages | 1,069,521 (¥ millions)       | (0.8)                 |
| Soft drinks         | 342,946 (¥ millions)         | 3.0                   |
| Other               | 170,780 (¥ millions)         | 13.2                  |
| Total               | 1,583,248 (¥ millions)       | 1.4                   |

Notes: The amounts do not include the related consumption tax, etc.

**CONSOLIDATED FINANCIAL  
RESULTS  
for  
THE YEAR  
ended  
DEC. 31, 2002**

**SUPPLEMENTARY COMMENTS**

**KIRIN BREWERY COMPANY, LIMITED**

**FEB. 19, 2003**

2002 Actual:Consolidated

PROFIT CHANGE FROM PRIOR YEAR

(¥ Billions)

| Item   | '02Actual | '01Actual | Difference | Reference                       |
|--|-----------|-----------|------------|---------------------------------|
| Sales  | 1,583.2   | 1,561.8   | 21.4       |                                 |
| Increase in Parent's operating income                                  |           |           | 9.1        |                                 |
| Increase in other consolidated subsidiaries' operating income          |           |           | 4.4        | LION NATHAN LTD.:2.8,etc.       |
| Increase in KIRIN BEVERAGE'S operating income                          |           |           | 1.2        |                                 |
| <i>Increase in Operating Income</i>                                    | 89.7      | 75.0      | 14.7       |                                 |
| Increase in equity in earnings of affiliates                           |           |           | 0.3        | SAN MIGUEL CORPORATION:0.7,etc. |
| Increase in Parent's non-operating income, net                         |           |           | 0.2        |                                 |
| Increase in other consolidated subsidiaries' non-operating income, net |           |           | 0.0        | LION NATHAN LTD.:0.2,etc.       |
| Decrease in KIRIN BEVERAGE'S non-operating income, net                 |           |           | (0.1)      |                                 |
| <i>Increase in Income Before Special Items and Income Taxes</i>        | 84.4      | 69.3      | 15.1       |                                 |
| Increase in KIRIN BEVERAGE'S special income, net                       |           |           | 1.5        |                                 |
| Decrease in minority interests   |           |           | (1.2)      |                                 |
| Decrease in Parent's special income, net                               |           |           | (2.3)      |                                 |
| Decrease in other consolidated subsidiaries' special income, net       |           |           | (3.7)      | LION NATHAN LTD.:(1.6),etc.     |
| <i>Increase in Net Income</i>  | 23.1      | 32.5      | (9.4)      |                                 |

2003 Forecast:Consolidated

PROFIT CHANGE FROM CURRENT YEAR

(¥ Billions)

| Item   | '03Forecast | '02Actual | Difference | Reference   |
|--|-------------|-----------|------------|---|
| Sales  | 1,670.0     | 1,583.2   | 86.8       |   |
| Increase in Parent's operating income                                  |             |           | 13.0       |   |
| Increase in KIRIN BEVERAGE'S operating income                          |             |           | 0.7        |   |
| Decrease in other consolidated subsidiaries' operating income          |             |           | (3.4)      | Kirin Logistics Co.,Ltd.:(2.4)<br>Kirin Engineering Co.,Ltd.:(0.6)<br>,etc. |
| <i>Increase in Operating Income</i>                                    | 100.0       | 89.7      | 10.3       |   |
| Increase in Parent's non-operating income, net                         |             |           | 4.2        |   |
| Increase in equity in earnings of affiliates                           |             |           | 2.1        |   |
| Decrease in other consolidated subsidiaries' non-operating income, net |             |           | (3.0)      | Elimination of dividend income<br>,etc.                                     |
| <i>Increase in Income Before Special Items and Income Taxes</i>        | 98.0        | 84.4      | 13.6       |   |
| Increase in KIRIN BEVERAGE'S special income, net                       |             |           | 1.0        |   |
| Increase in other consolidated subsidiaries' special income, net       |             |           | 0.4        |   |
| Decrease in minority interests   |             |           | (1.0)      |   |
| Decrease in Parent's special income, net                               |             |           | (7.5)      |   |
| <i>Increase in Net Income</i>  | 39.0        | 32.5      | 6.5        |   |

## Consolidated

### Forecast of consolidated financial performance

| Results of operations       | (¥ billions)  |             |             |
|-----------------------------|---------------|-------------|-------------|
|                             | 2003 Forecast | 2002 Actual | 2001 Actual |
| Sales                       | 1,670.0       | 1,583.2     | 1,561.8     |
| Operating Income            | 100.0         | 89.7        | 75.0        |
| Income before Special items | 98.0          | 84.4        | 69.3        |
| Net income                  | 39.0          | 32.5        | 23.1        |

| Scope of consolidation and application of equity method | (Number of companies) |             |             |
|---|-----------------------|-------------|-------------|
|   | 2003 Forecast         | 2002 Actual | 2001 Actual |
| Consolidated subsidiaries                               | 305                   | 305         | 261         |
| Unconsolidated subsidiaries applied by equity method    | 1                     | 1           | 1           |
| Affiliates applied by equity method                     | 16                    | 16          | 15          |

#### Analysis of operating income by business segment

| Fluctuation between 2002 Actual and 2001 Actual                            |                     |             |       |                              |        | ( ¥ billions ) |
|--|---------------------|-------------|-------|------------------------------|--------|----------------|
|  | Alcoholic beverages | Soft drinks | Other | Elimination/<br>Unallocation | Total  |                |
| Operating income – 2001 Actual   | 46.4                | 17.1        | 15.8  | (4.3)                        | 75.0   |                |
| Increase (Decrease) in gross profit  | 9.8                 | 7.4         | 6.1   | (2.2)                        | 21.1   |                |
| Decrease (Increase) in selling expenses                                    | 18.4                | (4.3)       | (0.6) | —                            | 13.5   |                |
| Decrease (Increase) in operations, and general and administrative expenses | (15.5)              | (1.3)       | (6.4) | 3.3                          | (19.9) |                |
| Increase (Decrease) in operating income                                    | 12.7                | 1.8         | (0.9) | 1.1                          | 14.7   |                |
| Operating income – 2002 Actual   | 59.1                | 18.9        | 14.9  | (3.2)                        | 89.7   |                |

| Fluctuation between 2003 Forecast and 2002 Actual                          |                     |             |       |                              |        | ( ¥ billions ) |
|--|---------------------|-------------|-------|------------------------------|--------|----------------|
|  | Alcoholic beverages | Soft drinks | Other | Elimination/<br>Unallocation | Total  |                |
| Operating income - 2002 Actual   | 59.1                | 18.9        | 14.9  | (3.2)                        | 89.7   |                |
| Increase (Decrease) in gross profit  | 10.3                | 24.6        | 5.1   | 0                            | 40.0   |                |
| Decrease (Increase) in selling expenses                                    | 1.9                 | (18.6)      | (2.7) | —                            | (19.4) |                |
| Decrease (Increase) in operations, and general and administrative expenses | 0.6                 | (5.1)       | (5.0) | (0.8)                        | (10.3) |                |
| Increase (Decrease) in operating income                                    | 12.8                | 0.9         | (2.6) | (0.8)                        | 10.3   |                |
| Operating income – 2003 Forecast   | 71.9                | 19.8        | 12.3  | (4.0)                        | 100.0  |                |

|              |
|--------------|
| Consolidated |
|--------------|

### Sales and Major Expenditures etc.

(¥ Billions)

|   | 2003<br>Forecast |                        | 2002<br>Actual |                        | 2001<br>Actual |                        |
|---|------------------|------------------------|----------------|------------------------|----------------|------------------------|
| Sales volume                                      |                  |                        |                |                        |                |                        |
| Alcoholic beverages                               | thousand KL      | Increase<br>(Decrease) | thousand KL    | Increase<br>(Decrease) | thousand KL    | Increase<br>(Decrease) |
| <i>Beer and Happoshu</i>                          | 3,604            | 0.2%                   | 3,595          | (0.8%)                 | 3,626          | (6.2%)                 |
| Soft drinks                                       | million cases    |                        | million cases  |                        | million cases  |                        |
|   | 213              | 10.1%                  | 193            | 3.0%                   | 187            | 5.7%                   |
| Sales by business segments                        |                  |                        |                |                        |                |                        |
| Total   | 1,670.0          | 5.5%                   | 1,583.2        | 1.4%                   | 1,561.8        | (1.2%)                 |
| Alcoholic beverages                               | 1,097.0          | 2.6%                   | 1,069.5        | (8.0%)                 | 1,078.0        | (3.0%)                 |
| <i>Beer and Happoshu</i>                          | 991.0            | 0.3%                   | 987.5          | (3.8%)                 | 1,026.9        | (7.6%)                 |
| Whiskey, Spirits, wines and<br><i>chu-hi</i> etc. | 106.0            | 29.4%                  | 81.9           | 60.4%                  | 51.0           | —                      |
| Soft drinks                                       | 383.0            | 11.7%                  | 342.9          | 3.0%                   | 332.9          | 4.7%                   |
| Other business                                    | 190.0            | 11.3%                  | 170.7          | 13.2%                  | 150.9          | 0.0%                   |
| Pharmaceutical                                    | 57.5             | 15.9%                  | 49.6           | 1.1%                   | 49.0           | 5.0%                   |
| Agribio   | 23.5             | 28.2%                  | 18.3           | 41.1%                  | 12.9           | (15.7%)                |
| Functional Foods                                  | 38.0             | 43.5%                  | 26.4           | 143.0%                 | 10.8           | 46.7%                  |
| Other   | 71.0             | (1.8%)                 | 76.3           | (2.1%)                 | 77.9           | (4.2%)                 |
| Sales promotion                                   | }                | 208.0                  | 136.3          | 139.8                  |                |                        |
| Advertising                                       |                  |                        | 56.6           | 61.2                   |                |                        |
| R&D   |                  | 24.5                   | 23.0           | 23.0                   |                |                        |
| Depreciation                                      |                  | 73.0                   | 75.2           | 73.5                   |                |                        |
| Financial profit, net                             |                  | (6.0)                  | (4.9)          | (5.6)                  |                |                        |
| Capital Expenditures                              |                  | 76.0                   | 85.4           | 71.4                   |                |                        |
| Cash flows  |                  | 6.0                    | (38.2)         | 79.9                   |                |                        |
| Operating activities                              |                  | 129.0                  | 87.7           | 71.1                   |                |                        |
| Investing activities                              |                  | (82.0)                 | (175.3)        | (12.1)                 |                |                        |
| Financing activities                              |                  | (41.0)                 | 50.6           | 20.8                   |                |                        |

|              |
|--------------|
| Consolidated |
|--------------|

### Major Changes in Assets and Liabilities

(¥Billions)

|  | 2002<br>Actual | 2001<br>Actual | Increase<br>(Decrease) | Reference  |
|--|----------------|----------------|------------------------|--|
| Cash   | 108.1          | 143.5          | (35.4)                 | Disbursements for investments                                |
| Investment securities                          | 330.9          | 263.0          | 67.9                   | Investments in SAN MIGUEL CORPORATION, etc.                  |
| Short-term loans payable<br>and Long-term debt | 152.9          | 100.6          | 52.3                   | Financing for investments in SAN MIGUEL<br>CORPORATION, etc. |
| Bonds  | 129.9          | 87.4           | 42.5                   | Issue of bonds by the company                                |

|              |
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| Consolidated |
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### Changes in Sales and Operating Income of Major Companies

#### Sales

(¥Billions)

|  | 2002 Actual | 2001 Actual | Increase (Decrease) |
|--|-------------|-------------|---------------------|
| Kirin brewery Company,Limited                                  | 999.9       | 1,028.4     | (28.5)              |
| (Subsidiary)   |             |             |                     |
| Kirin Beverage Corporation                                     | 319.2       | 304.0       | 15.2                |
| LION NATHAN LTD.   | 111.3       | 93.8        | 17.5                |
| The Coca-Cola Bottling Company<br>Of Northern New England ,Inc | 31.5        | 30.2        | 1.3                 |
| Kirin Logistics Co.,Ltd.                                       | 78.7        | 75.4        | 3.3                 |
| Kirin Engineering Co.,Ltd.                                     | 31.4        | 57.4        | (26.0)              |
| (Affiliate)  |             |             |                     |
| Kinki Coca-Cola Bottling Co.,Ltd.                              | 183.3       | 182.6       | 0.7                 |
| YONEKYU CORPORATION  | 89.3        | 88.9        | 0.4                 |
| SAN MIGUEL CORPORATION   | 329.2       |             |                     |

#### Operating Income

(¥Billions)

|  | 2002 Actual | 2001 Actual | Increase (Decrease) |
|--|-------------|-------------|---------------------|
| Kirin brewery Company,Limited                                  | 44.0        | 34.9        | 9.1                 |
| (Subsidiary)   |             |             |                     |
| Kirin Beverage Corporation                                     | 15.2        | 14.0        | 1.2                 |
| LION NATHAN LTD.   | 22.6        | 19.8        | 2.8                 |
| The Coca-Cola Bottling Company<br>Of Northern New England ,Inc | 3.7         | 3.0         | 0.7                 |
| Kirin Logistics Co.,Ltd.                                       | 4.5         | 3.7         | 0.8                 |
| Kirin Engineering Co.,Ltd.                                     | 1.3         | 1.8         | (0.5)               |
| (Affiliate)  |             |             |                     |
| Kinki Coca-Cola Bottling Co.,Ltd.                              | 5.4         | 8.0         | (2.6)               |
| YONEKYU CORPORATION  | 2.2         | 2.8         | (0.6)               |
| SAN MIGUEL CORPORATION   | 29.9        |             |                     |

# KIRIN BREWERY COMPANY, LIMITED

## SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2002 (UNAUDITED)

February 19, 2003

(English Translation)

Fiscal year ended December 31, 2002

### KIRIN BREWERY COMPANY, LIMITED

10-1, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan (URL <http://www.kirin.co.jp/english/>)

|  |   |
|--|---|
| Code No.:  | 2503  |
| Shares Listed:                                   | Tokyo, Osaka, Nagoya, Fukuoka, Sapporo,   |
| Interim dividend plan:                           | Yes   |
| Minimum numbers of shares to have voting rights: | 1,000 shares  |
| Representative:                                  | Mr. Koichiro Aramaki, President   |
| For further information, please contact:         | Mr. Sumio Nagata, General Manager,<br>Communications Dept.<br>Telephone: 81-3-5540-3450 from overseas |

Date of the Board of Directors' Meeting for the annual operation results: February 19, 2003

Date of regular shareholders' meeting: March 28, 2003

#### 1. Business results and financial positions for the current fiscal year

(January 1, 2002 - December 31, 2002)

[Unit: Japanese yen (¥)]

(1) Results of operations: (Fractions less than ¥1 million have been omitted.)

|                              | Sales<br>(¥ millions) | Percentage<br>change<br>(%) | Operating<br>income<br>(¥ millions) | Percentage<br>change<br>(%) | Income before<br>special items<br>(¥ millions) | Percentage<br>change<br>(%) |
|------------------------------|-----------------------|-----------------------------|-------------------------------------|-----------------------------|--|-----------------------------|
| Year ended December 31, 2002 | 999,920               | (2.8)                       | 44,024                              | 25.9                        | 53,831   | 20.8                        |
| Year ended December 31, 2001 | 1,028,403             | (3.6)                       | 34,965                              | (36.5)                      | 44,580   | (33.8)                      |

|                              | Net income<br>(¥ millions) | Percentage<br>change<br>(%) | Net income<br>per share<br>primary<br>(¥) | Net income<br>per share<br>diluted<br>(¥) | Ratio of net<br>income to<br>shareholders'<br>equity<br>(%) | Ratio of<br>ordinary<br>income to<br>total assets<br>(%) | Ratio of<br>ordinary<br>income to<br>sales<br>(%) |
|------------------------------|----------------------------|-----------------------------|---|---|---|--|---|
| Year ended December 31, 2002 | 26,380                     | 36.1                        | 26.96                                     | —   | 3.8   | 4.3  | 5.4   |
| Year ended December 31, 2001 | 19,382                     | (38.4)                      | 19.69                                     | —   | 2.9   | 3.7  | 4.3   |

Notes: ①Average number of shares of common stock outstanding during the year:

December 31, 2002 978,318,065 shares

December 31, 2001 984,485,996 shares

②Change in accounting policies: None

③Percentage change means the ratio of increase or decrease in each item of business results for the year ended December 31, 2002, to those for the year ended December 31, 2001.

(2) Dividends:

|                              | Dividend per<br>share for the<br>year<br>(¥) | Interim<br>dividend per<br>share<br>(¥) | Year-end<br>dividend per<br>share<br>(¥) | Dividend paid<br>for the year<br>(¥ millions) | Dividend<br>pay-out ratio<br>(%) | Ratio of<br>dividends to<br>shareholders'<br>equity (%) |
|------------------------------|--|---|--|---|----------------------------------|---|
| Year ended December 31, 2002 | 12.00  | 6.00                                    | 6.00                                     | 11,675  | 44.3                             | 1.7   |
| Year ended December 31, 2001 | 12.00  | 6.00                                    | 6.00                                     | 11,813  | 60.9                             | 1.7   |

(3) Financial positions:

|                   | Total assets<br>(¥ millions) | Shareholders'<br>equity<br>(¥ millions) | Ratio of shareholders'<br>equity to total assets<br>(%) | Shareholders'<br>equity per share<br>(¥) |
|-------------------|------------------------------|---|---|--|
| December 31, 2002 | 1,280,112                    | 679,770                                 | 53.1  | 703.18                                   |
| December 31, 2001 | 1,251,755                    | 691,878                                 | 55.3  | 702.83                                   |

Note: ①Number of shares of common stock issued and outstanding:

|                   |                    |
|-------------------|--------------------|
| December 31, 2002 | 966,713,386 shares |
| December 31, 2001 | 984,417,871 shares |

②Number of treasury stock held:

|                   |                   |
|-------------------|-------------------|
| December 31, 2002 | 17,795,001 shares |
| December 31, 2001 | 90,516 shares     |

2. Forecast of business results for the next fiscal year (January 1, 2003-December 31, 2003)

|                               | Sales<br>(¥ millions) | Income before<br>special<br>items<br>(¥ millions) | Net income<br>(¥ millions) | Interim<br>dividend per<br>share<br>(¥) | Year-end<br>dividend per<br>share<br>(¥) | Dividend per<br>share for the<br>year<br>(¥) |
|-------------------------------|-----------------------|---|----------------------------|---|--|--|
| 6 months ending June 30, 2003 | 470,000               | 28,000  | 15,000                     | 6.00                                    | —  | —  |
| Year ending December 31, 2003 | 1,030,000             | 71,000  | 36,000                     | —                                       | 6.00                                     | 12.00  |

Note: Forecasted net income per share ¥ 37.24

Refer to page 8 - 9 for the assumptions and other matters related to the above forecast.

## BALANCE SHEETS

(¥ millions)

| ASSETS   | (Note) | At<br>December 31, 2002 |                                    | At<br>December 31, 2001 |                                    | Increase<br>(Decrease) |
|--|--------|-------------------------|------------------------------------|-------------------------|------------------------------------|------------------------|
|  |        | Amount                  | Percentage<br>over total<br>assets | Amount                  | Percentage<br>over total<br>assets | Amount                 |
| <b>Current Assets</b>  |        |                         |                                    |                         |                                    |                        |
| Cash   |        | 54,838                  |                                    | 89,776                  |                                    | (34,938)               |
| Notes receivable   |        | 2,088                   |                                    | 3,039                   |                                    | (951)                  |
| Accounts receivable  |        | 178,193                 |                                    | 183,536                 |                                    | (5,343)                |
| Marketable securities  |        | 1,001                   |                                    | 7,562                   |                                    | (6,561)                |
| Merchandise  |        | 4,477                   |                                    | 1,137                   |                                    | 3,340                  |
| Finished goods   |        | 6,171                   |                                    | 4,917                   |                                    | 1,254                  |
| Semi-finished goods  |        | 9,089                   |                                    | 7,948                   |                                    | 1,141                  |
| Raw materials  |        | 13,559                  |                                    | 12,249                  |                                    | 1,310                  |
| Containers   |        | 3,260                   |                                    | 3,850                   |                                    | (590)                  |
| Supplies   |        | 294                     |                                    | 831                     |                                    | (537)                  |
| Advances   |        | 488                     |                                    | 241                     |                                    | 247                    |
| Other accounts receivable  |        | 18,482                  |                                    | 18,415                  |                                    | 67                     |
| Deferred income taxes  |        | 12,168                  |                                    | 13,000                  |                                    | (832)                  |
| Funds in trust   |        | —                       |                                    | 17,411                  |                                    | (17,411)               |
| Other  |        | 4,128                   |                                    | 4,976                   |                                    | (848)                  |
| Allowance for doubtful accounts  |        | (4,327)                 |                                    | (1,164)                 |                                    | (3,163)                |
| Total current assets   |        | 303,914                 | 23.7                               | 367,733                 | 29.4                               | (63,819)               |
| <b>Fixed Assets</b>  |        |                         |                                    |                         |                                    |                        |
| Property, Plant and Equipment  | (*1)   |                         |                                    |                         |                                    |                        |
| Buildings  | (*2)   | 120,449                 |                                    | 126,131                 |                                    | (5,682)                |
| Structures   |        | 18,514                  |                                    | 19,677                  |                                    | (1,163)                |
| Machinery and equipment  |        | 130,748                 |                                    | 130,756                 |                                    | (8)                    |
| Vehicles   |        | 412                     |                                    | 535                     |                                    | (123)                  |
| Tools  |        | 9,832                   |                                    | 10,065                  |                                    | (233)                  |
| Land   | (*2)   | 113,263                 |                                    | 113,655                 |                                    | (392)                  |
| Construction in progress   |        | 8,130                   |                                    | 19,047                  |                                    | (10,917)               |
| Total  |        | 401,351                 | 31.4                               | 419,869                 | 33.5                               | (18,518)               |
| <b>Intangible Fixed Assets</b>   |        |                         |                                    |                         |                                    |                        |
| Leasehold rights   |        | 661                     |                                    | 661                     |                                    | —                      |
| Utility rights   |        | 5,385                   |                                    | 5,947                   |                                    | (562)                  |
| Total  |        | 6,047                   | 0.5                                | 6,609                   | 0.5                                | (562)                  |
| <b>Investments and Other Assets</b>  |        |                         |                                    |                         |                                    |                        |
| Investment securities  | (*2)   | 190,820                 |                                    | 188,614                 |                                    | 2,206                  |
| Investments in subsidiaries and affiliates<br>(capital stock)                      |        | 257,612                 |                                    | 164,592                 |                                    | 93,020                 |
| Other investments  |        | 199                     |                                    | 1,634                   |                                    | (1,435)                |
| Investments in equity of subsidiaries and<br>affiliates (other than capital stock) |        | 8,184                   |                                    | 8,184                   |                                    | —                      |
| Long-term loans  |        | 3,719                   |                                    | 2,862                   |                                    | 857                    |
| Long-term loans to employees   |        | 4                       |                                    | 0                       |                                    | 4                      |
| Long-term loans to affiliates  |        | 13,041                  |                                    | 2,550                   |                                    | 10,491                 |
| Life insurance investments   |        | 34,985                  |                                    | 33,604                  |                                    | 1,381                  |
| Deposits paid  |        | 16,610                  |                                    | 17,515                  |                                    | (905)                  |
| Real estate in trust   |        | 3,729                   |                                    | 7,324                   |                                    | (3,595)                |
| Deferred income taxes  |        | 39,075                  |                                    | 29,546                  |                                    | 9,529                  |
| Other  |        | 4,177                   |                                    | 3,873                   |                                    | 304                    |
| Allowance for doubtful accounts  |        | (3,362)                 |                                    | (2,759)                 |                                    | (603)                  |
| Total  |        | 568,799                 | 44.4                               | 457,543                 | 36.6                               | 111,256                |
| Total fixed assets   |        | 976,198                 | 76.3                               | 884,022                 | 70.6                               | 92,176                 |
| <b>TOTAL ASSETS</b>  |        | <b>1,280,112</b>        | <b>100.0</b>                       | <b>1,251,755</b>        | <b>100.0</b>                       | <b>28,357</b>          |

| (¥ millions)  |        |                         |                                    |                         |                                    |                        |
|---|--------|-------------------------|------------------------------------|-------------------------|------------------------------------|------------------------|
| LIABILITIES<br>AND SHAREHOLDERS' EQUITY                     | (Note) | At<br>December 31, 2002 |                                    | At<br>December 31, 2001 |                                    | Increase<br>(Decrease) |
|   |        | Amount                  | Percentage<br>over total<br>assets | Amount                  | Percentage<br>over total<br>assets | Amount                 |
| <b>Current Liabilities</b>                                  |        |                         |                                    |                         |                                    |                        |
| Notes payable   |        | 592                     |                                    | 708                     |                                    | (116)                  |
| Accounts payable  |        | 33,987                  |                                    | 37,665                  |                                    | (3,678)                |
| Short-term loans payable                                    |        | 17,500                  |                                    | 11,500                  |                                    | 6,000                  |
| Beer taxes payable  |        | 111,206                 |                                    | 117,123                 |                                    | (5,917)                |
| Other accounts payable                                      |        | 13,030                  |                                    | 18,182                  |                                    | (5,152)                |
| Consumption tax payable                                     |        | 9,549                   |                                    | 7,506                   |                                    | 2,043                  |
| Income tax payable  |        | 8,467                   |                                    | 11,749                  |                                    | (3,282)                |
| Accrued expenses  |        | 37,566                  |                                    | 40,470                  |                                    | (2,904)                |
| Deposits received   |        | 59,386                  |                                    | 62,889                  |                                    | (3,503)                |
| Deposits received for containers                            |        | 1,545                   |                                    | 1,792                   |                                    | (247)                  |
| Other   |        | 10,056                  |                                    | 6,180                   |                                    | 3,876                  |
| <b>Total current liabilities</b>                            |        | <b>302,888</b>          | <b>23.7</b>                        | <b>315,770</b>          | <b>25.2</b>                        | <b>(12,882)</b>        |
| <b>Long-term Liabilities</b>                                |        |                         |                                    |                         |                                    |                        |
| Bonds   |        | 110,000                 |                                    | 70,000                  |                                    | 40,000                 |
| Long-term debt  |        | 26,000                  |                                    | 1,000                   |                                    | 25,000                 |
| Pension and retirement benefits                             |        | 81,385                  |                                    | 85,959                  |                                    | (4,574)                |
| Retirement benefits for directors and<br>corporate auditors |        | 1,414                   |                                    | 1,581                   |                                    | (167)                  |
| Deposits received   | (*2)   | 68,301                  |                                    | 76,090                  |                                    | (7,789)                |
| Other   |        | 10,350                  |                                    | 9,476                   |                                    | 874                    |
| <b>Total long-term liabilities</b>                          |        | <b>297,453</b>          | <b>23.2</b>                        | <b>244,107</b>          | <b>19.5</b>                        | <b>53,346</b>          |
| <b>TOTAL LIABILITIES</b>                                    |        | <b>600,341</b>          | <b>46.9</b>                        | <b>559,877</b>          | <b>44.7</b>                        | <b>40,464</b>          |
| <b>Shareholders' Equity</b>                                 |        |                         |                                    |                         |                                    |                        |
| Common Stock  | (*4)   | 102,045                 | 8.0                                | 102,045                 | 8.2                                | —                      |
| Additional Paid-In Capital                                  |        | 70,868                  | 5.5                                | 70,868                  | 5.7                                | —                      |
| Legal Reserve   |        | 25,511                  | 2.0                                | 25,511                  | 2.0                                | —                      |
| Retained Earnings:  |        | 488,922                 | 38.2                               | 474,416                 | 37.9                               | 14,506                 |
| <b>Voluntary Earned Surplus</b>                             |        |                         |                                    |                         |                                    |                        |
| Transfer to reserve for special depreciation                |        | 217                     |                                    | 279                     |                                    | (62)                   |
| Reserve for deferred gain on sale of property               |        | 14,631                  |                                    | 14,047                  |                                    | 584                    |
| Reserve for dividends                                       |        | 6,450                   |                                    | 6,450                   |                                    | —                      |
| General reserve   |        | 406,367                 |                                    | 389,367                 |                                    | 17,000                 |
| Unappropriated Retained Earnings                            |        | 61,255                  |                                    | 64,272                  |                                    | (3,017)                |
| Net unrealized holding gains on securities                  |        | 6,050                   | 0.5                                | 19,122                  | 1.5                                | (13,072)               |
| Treasury Stock  |        | (13,628)                | (1.1)                              | (86)                    | (0.0)                              | (13,542)               |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                           |        | <b>679,770</b>          | <b>53.1</b>                        | <b>691,878</b>          | <b>55.3</b>                        | <b>(12,108)</b>        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS'<br/>EQUITY</b>       |        | <b>1,280,112</b>        | <b>100.0</b>                       | <b>1,251,755</b>        | <b>100.0</b>                       | <b>28,357</b>          |

## STATEMENTS OF INCOME

(¥ millions)

|   | (Note) | Year ended<br>December 31, 2002 |                          | Year ended<br>December 31, 2001 |                          | Increase<br>(Decrease) |
|---|--------|---------------------------------|--------------------------|---------------------------------|--------------------------|------------------------|
|   |        | Amount                          | Percentage<br>over sales | Amount                          | Percentage<br>over sales | Amount                 |
| Sales   |        | 999,920                         | 100.0                    | 1,028,403                       | 100.0                    | (28,483)               |
| Cost of Sales   |        | 703,954                         | 70.4                     | 730,267                         | 71.0                     | (26,313)               |
| Gross Profit  |        | 295,965                         | 29.6                     | 298,136                         | 29.0                     | (2,171)                |
| Selling, General and Administrative Expenses  | (*1,2) | 251,941                         | 25.2                     | 263,170                         | 25.6                     | (11,229)               |
| Operating Income  |        | 44,024                          | 4.4                      | 34,965                          | 3.4                      | 9,059                  |
| Non-operating Income  |        |                                 |                          |                                 |                          |                        |
| Interest income   |        | 726                             |                          | 643                             |                          | 83                     |
| Security interest   |        | 131                             |                          | 375                             |                          | (244)                  |
| Return on funds in trust  |        | 210                             |                          | 558                             |                          | (348)                  |
| Dividend income   |        | 9,318                           |                          | 7,863                           |                          | 1,455                  |
| Rent income   |        | 2,771                           |                          | 2,037                           |                          | 734                    |
| Other   |        | 2,068                           |                          | 2,997                           |                          | (929)                  |
| Total   |        | 15,226                          | 1.5                      | 14,476                          | 1.4                      | 750                    |
| Non-operating Expenses  |        |                                 |                          |                                 |                          |                        |
| Interest expense  |        | 1,199                           |                          | 1,306                           |                          | (107)                  |
| Interest on bonds   |        | 761                             |                          | 72                              |                          | 689                    |
| Other   |        | 3,458                           |                          | 3,481                           |                          | (23)                   |
| Total   |        | 5,419                           | 0.5                      | 4,861                           | 0.5                      | 558                    |
| Income before Special Items and Income Taxes  |        | 53,831                          | 5.4                      | 44,580                          | 4.3                      | 9,251                  |
| Special Income  |        |                                 |                          |                                 |                          |                        |
| Gain on sales of fixed assets   | (*3)   | 1,923                           |                          | 2,667                           |                          | (744)                  |
| Reversal of provision for doubtful accounts   |        | 157                             |                          | 71                              |                          | 86                     |
| Gain on sale of securities  |        | 243                             |                          | 9,959                           |                          | (9,716)                |
| Gain on securities contributed to pension and retirement benefits trust                             |        | —                               |                          | 4,599                           |                          | (4,599)                |
| Total   |        | 2,324                           | 0.2                      | 17,298                          | 1.7                      | (14,971)               |
| Special Expenses  |        |                                 |                          |                                 |                          |                        |
| Loss on disposal of fixed assets  | (*4)   | 5,474                           |                          | 4,422                           |                          | 1,052                  |
| Loss on sale of fixed assets  | (*5)   | 136                             |                          | 86                              |                          | 50                     |
| Loss on revaluation of investment securities  |        | 2,215                           |                          | 3,041                           |                          | (826)                  |
| Loss on sale of securities  |        | —                               |                          | 1,299                           |                          | (1,299)                |
| Write-down of investment in subsidiaries and affiliates   |        | 88                              |                          | 3,514                           |                          | (3,426)                |
| Loss on devaluation of golf club membership   | (*6)   | —                               |                          | 1,991                           |                          | (1,991)                |
| Amortization of net transition obligation of accounting standard for severance and pension benefits |        | —                               |                          | 13,464                          |                          | (13,464)               |
| Loss on devaluation of real estate in trust   |        | 3,352                           |                          | —                               |                          | 3,352                  |
| Total   |        | 11,268                          | 1.1                      | 27,820                          | 2.7                      | (16,552)               |
| Income before Income Taxes  |        | 44,887                          | 4.5                      | 34,058                          | 3.3                      | 10,829                 |
| Income Taxes(Current)   |        | 17,700                          |                          | 22,600                          |                          | (4,900)                |
| Income Taxes(Deferred)  |        | 807                             | 1.9                      | (7,924)                         | 1.4                      | 8,731                  |
| Net Income  |        | 26,380                          | 2.6                      | 19,382                          | 1.9                      | 6,998                  |
| Retained earnings brought forward from the prior fiscal year  |        | 40,750                          |                          | 50,796                          |                          | (10,046)               |
| Dividends (interim)   |        | 5,874                           |                          | 5,907                           |                          | (33)                   |
| Unappropriated retained earnings  |        | 61,255                          |                          | 64,272                          |                          | (3,017)                |

## STATEMENTS OF RETAINED EARNINGS

(¥ millions)

|   | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
|---|---------------------------------|---------------------------------|
| Unappropriated retained earnings                                | 61,255                          | 64,272                          |
| Transfer from reserve for special depreciation                  | 52                              | 72                              |
| Transfer from reserve for deferred gain on sale of property     | 1,328                           | 395                             |
| Total   | 62,636                          | 64,740                          |
| Appropriations:   |                                 |                                 |
| Dividends   | 5,800                           | 5,906                           |
| Bonuses paid to directors and corporate auditors                | 149                             | 92                              |
| (corporate auditors' portion included above)                    | 14                              | 10)                             |
| Voluntary earned surplus  |                                 |                                 |
| Transfer to reserve for special depreciation                    | 31                              | 10                              |
| Transfer to reserve for deferred gain on sale of property       | 624                             | 980                             |
| Transfer to general reserve                                     | 15,000                          | 17,000                          |
| Retained earnings to be carried forward to the next fiscal year | 41,030                          | 40,750                          |

Note 2: Transfer from/to reserve for special depreciation and transfer from/to reserve for deferred gain on sale of property are pursuant to the Special Taxation Measures Law of Japan.

## SIGNIFICANT ACCOUNTING POLICIES

### 1. Valuation of securities

Equity securities issued by subsidiaries and affiliated companies are valued at cost determined by the moving-average method. Available-for-sale securities with fair market values are stated at fair market value as of the balance sheet date. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using the moving-average method. Debt securities without fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities without fair market value are stated at cost determined by the moving-average method.

### 2. Valuation of derivative financial instruments

Derivative financial instruments are stated at fair values.

### 3. Valuation of Inventories

Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the average method. Raw materials and supplies are mainly stated at cost determined by the moving average method.

### 4. Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated on the declining balance method, except for buildings (excluding building fixtures) acquired on and after April 1, 1998, where depreciation is calculated on the straight-line method in accordance with the Corporate Income Tax Law of Japan.

The straight-line method is used for intangible fixed assets over estimated useful lives.

### 6. Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses.

### 7. Pension and retirement benefits

The Company provides allowance for employees' pension and retirement benefits at December 31, 2002 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the date. Actuarial differences are amortized by the straight-line method over the average estimated service period, which is 15 years, beginning from the next fiscal year.

### 8. Retirement benefits for directors and corporate auditors

Provision for retirement benefits for directors and corporate auditors represents 100% of such retirement benefit obligations calculated in accordance with policies of the Company.

### 9. Leases

Finance leases, except for those leases under which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

### 10. Hedge accounting

Where certain hedging criteria are met, the Company defers the recognition of gains and losses resulting from the changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

For forward foreign exchange contracts used for hedging purposes, the foreign currency receivables or payables are recorded at the contracted forward rates. In addition, for interest rate swap contracts meeting certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or to be deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company uses forward foreign currency contracts and interest rate swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to foreign currency receivables and payables from operations and interest rate increases with respect to borrowings, within the amounts of foreign currency borrowings or receivables.

The following summarizes hedging derivative financial instruments used by the Company and items hedged:

| Hedging instruments                     | Hedged items  |
|---|---|
| Forward foreign exchange contracts etc. | Foreign currency trade receivables and trade payables |
| Interest rate swap contracts etc.       | Interest on foreign currency bonds and loans payable  |

The Company evaluates the hedging effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

### 11. Consumption tax

Consumption tax is excluded from the revenue and expense accounts, which are subject to such tax.

NOTES TO:

(NON-CONSOLIDATED BALANCE SHEETS)

1 Accumulated depreciation (¥ millions)

|                          | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--------------------------|-------------------------|-------------------------|
| Accumulated depreciation | 527,983                 | 505,799                 |

2 Detail of Collateral

(1) Collateral (¥ millions)

|                       | At<br>December 31, 2002 | At<br>December 31, 2001 |
|-----------------------|-------------------------|-------------------------|
| Buildings             | 1,032                   | 1,118                   |
| Land                  | 439                     | 439                     |
| Investment securities | 14                      | 33                      |

(2) Secured borrowing

(¥ millions)

|                                 | At<br>December 31, 2002 | At<br>December 31, 2001 |
|---------------------------------|-------------------------|-------------------------|
| Deposits received               | 2,296                   | 2,296                   |
| Postage charge (facility limit) | 13                      | 29                      |

3 Receivables from and payables to subsidiaries and affiliates

(¥ millions)

|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--|-------------------------|-------------------------|
| Accounts payable, short term loans payable and accrued expenses etc. | 29,228                  | 26,191                  |

4 Shares authorized and issued

(shares)

|                            | At<br>December 31, 2002 | At<br>December 31, 2001 |
|----------------------------|-------------------------|-------------------------|
| Number of stock authorized | 1,732,026,000           | 1,732,026,000           |
| Number of stock issued     | 984,508,387             | 984,508,387             |

5 Contingent liabilities

(1) Guarantees for subsidiaries and affiliated companies

(¥ millions, Foreign currency: thousand)

|                                      | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--------------------------------------|-------------------------|-------------------------|
| Kirin Lease Co.,Ltd.                 | 12,004                  | 10,046                  |
| Marinet Co.,Ltd.                     | 3,290                   | 3,675                   |
| Kirin International Trading Co.,Ltd. | 2,050                   | 2,050                   |
| Kirin Brewery of America LLC         | 839                     | 1,240                   |
|                                      | (USD 7,000)             | (USD 9,400)             |
| Koiwai Dairy Products Co.,Ltd.       | 800                     | 1,650                   |
| Yokohama Arena Co.,Ltd.              | 574                     | 890                     |
| Other                                | 3,396                   | 3,586                   |
| (Number                              | 12                      | 11)                     |
| -----                                |                         |                         |
| Foreign currencies included above    | 2,393                   | 2,654                   |
|                                      | USD 9,239               | USD 9,500               |
|                                      | EUR 5,488               | NLG 2,000               |
|                                      | NTD 175,700             | EUR 3,780               |
|                                      |                         | NTD 226,810             |

(2) Guarantees for employee's housing loan from banks

(¥ millions)

|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--|-------------------------|-------------------------|
|  | 11,599                  | 13,378                  |

(3) Guarantees for bank loans of customers

(¥ millions)

|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--|-------------------------|-------------------------|
|  | 144                     | 414                     |
| Number   | 2                       | 3                       |
| Total contingent liabilities                             | 34,697                  | 36,931                  |
| (Including agreements similar to contingent liabilities) | 9,420                   | 9,100                   |

6 Restriction on dividends payment

(At December 31,2002)

Available-for-sale securities with market value are remeasured at market values. Unrealized holding gains on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Such unrealized holding gains amounting to ¥6,050 million are restricted for appropriation of dividends in accordance with the Japanese Commercial Code.

(At December 31,2001)

Financial instruments with market value are remeasured at market values at balance sheet date, which increase net assets by ¥ 19,014 million. The increase is reported in the balance sheet, net of applicable income taxes, as a part of unappropriated retained earnings (deduction of ¥107 million) and unrealized holding gains on securities of ¥19,122 million as a separate component of shareholders' equity. Such increase of net assets is restricted for appropriation of dividends in accordance with the Japanese Commercial Code.

## (NON-CONSOLIDATED STATEMENTS OF INCOME)

| 1 Major elements of selling, general and administrative expenses (¥ millions)  |                                 |                                 |
|--|---------------------------------|---------------------------------|
|  | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Sales promotion  | 65,863                          | 76,480                          |
| Freight  | 24,274                          | 24,688                          |
| Advertising  | 31,895                          | 38,871                          |
| Payroll  | 38,448                          | 38,372                          |
| Pension and retirement benefit costs   | 7,843                           | 6,230                           |
| Expense for retirement benefits for directors and corporate auditors   | 339                             | 404                             |
| Welfare  | 9,220                           | 9,048                           |
| Depreciation   | 3,145                           | 3,652                           |
| Research and development   | 21,565                          | 22,122                          |
| Doubtful accounts expense  | 3,845                           | 367                             |
| Percentage of selling expenses over selling, general and administrative expenses   | 73%                             | 75%                             |
| 2 Research and development expense included in selling, general and administrative expenses and cost of sales (¥ millions) |                                 |                                 |
|  | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Total research and development expense   | 21,565                          | 22,122                          |
| 3 Gain on sales of fixed assets (¥ millions)   |                                 |                                 |
|  | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Land   | 1,915                           | 2,665                           |
| Other  | 8                               | 1                               |
| Total  | 1,923                           | 2,667                           |
| 4 Loss on disposal of fixed assets (¥ millions)  |                                 |                                 |
|  | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Buildings  | 2,783                           | 1,838                           |
| Machinery and equipment  | 2,058                           | 2,171                           |
| Other  | 631                             | 412                             |
| Total  | 5,474                           | 4,422                           |
| 5 Loss on sale of fixed assets (¥ millions)  |                                 |                                 |
|  | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Land   | 70                              | 17                              |
| Other  | 65                              | 68                              |
| Total  | 136                             | 86                              |
| 6 Loss on devaluation of golf club membership<br>Doubtful accounts expense for security deposit of golf club membership    |                                 |                                 |
| 7 Matters related to subsidiaries and affiliates (¥ millions)  |                                 |                                 |
|  | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
| Dividends received   | 6,740                           | 6,018                           |
| Interest income, rent income and other   | 1,572                           | —                               |

(LEASE TRANSACTIONS)

Finance lease transactions without ownership transfer to lessee

(1) Purchase price equivalents, accumulated depreciation equivalents and book value equivalents of leased properties (¥ millions)

|                                     | At<br>December 31, 2002 | At<br>December 31, 2001 |
|-------------------------------------|-------------------------|-------------------------|
| <b>Structures</b>                   |                         |                         |
| Purchase price equivalent           | 7                       | 7                       |
| Accumulated depreciation equivalent | 6                       | 5                       |
| Book value equivalent               | 0                       | 2                       |
| <b>Machinery and equipment</b>      |                         |                         |
| Purchase price equivalent           | 179                     | 180                     |
| Accumulated depreciation equivalent | 69                      | 57                      |
| Book value equivalent               | 109                     | 123                     |
| <b>Vehicles</b>                     |                         |                         |
| Purchase price equivalent           | 14                      | 13                      |
| Accumulated depreciation equivalent | 7                       | 7                       |
| Book value equivalent               | 6                       | 5                       |
| <b>Tools</b>                        |                         |                         |
| Purchase price equivalent           | 7,054                   | 7,678                   |
| Accumulated depreciation equivalent | 3,504                   | 3,887                   |
| Book value equivalent               | 3,549                   | 3,791                   |
| <b>Total</b>                        |                         |                         |
| Purchase price equivalent           | 7,254                   | 7,880                   |
| Accumulated depreciation equivalent | 3,588                   | 3,957                   |
| Book value equivalent               | 3,666                   | 3,922                   |

(2) Lease commitments (¥ millions)

|                     | At<br>December 31, 2002 | At<br>December 31, 2001 |
|---------------------|-------------------------|-------------------------|
| Due within one year | 1,462                   | 1,670                   |
| Due after one year  | 2,304                   | 2,417                   |
| <b>Total</b>        | <b>3,767</b>            | <b>4,088</b>            |

(3) Lease payments, depreciation equivalents and interest equivalents (¥ millions)

|                         | Year ended<br>December 31, 2002 | Year ended<br>December 31, 2001 |
|-------------------------|---------------------------------|---------------------------------|
| Lease payments          | 2,032                           | 2,602                           |
| Depreciation equivalent | 1,908                           | 2,300                           |
| Interest equivalent     | 182                             | 255                             |

(4) Method of depreciation equivalent

Depreciation equivalent is computed on the straight-line method over the lease period without residual value.

(5) Allocation of interest equivalent

Differences between total lease expenses and acquisition costs of the leased properties comprise interest expenses and insurance, maintenance and certain other operating costs.

Interest expenses are allocated using interest method over the terms of leases.

Operating lease transactions

Lease commitments

(¥ millions)

|                     | At<br>December 31, 2002 | At<br>December 31, 2001 |
|---------------------|-------------------------|-------------------------|
| Due within one year | 151                     | 148                     |
| Due after one year  | 473                     | 529                     |
| <b>Total</b>        | <b>625</b>              | <b>677</b>              |

(Securities)

Information on securities, except for those presented below, for current and prior period are presented with the consolidated financial Statements.

(Investments in subsidiaries and affiliates with market value)

At December 31, 2002

(¥ millions)

|                            | Book value | Market value | Difference |
|----------------------------|------------|--------------|------------|
| Investment in subsidiaries | 101,754    | 154,094      | 52,339     |
| Investment in affiliates   | 85,701     | 87,559       | 1,857      |

At December 31, 2001

(¥ millions)

|                            | Book value | Market value | Difference |
|----------------------------|------------|--------------|------------|
| Investment in subsidiaries | 101,754    | 144,760      | 43,005     |
| Investment in affiliates   | 12,536     | 29,198       | 16,661     |

(Deferred income taxes)

1. Significant components of deferred tax assets and liabilities

(¥ millions)

|  | At<br>December 31, 2002 | At<br>December 31, 2001 |
|--|-------------------------|-------------------------|
| Deferred tax assets  |                         |                         |
| Pension and retirement benefits                                      | 27,672                  | 31,483                  |
| Deferred charges   | 9,045                   | 8,695                   |
| Depreciation   | 6,283                   | 6,592                   |
| Other  | 22,911                  | 22,413                  |
| Total deferred tax assets  | 65,913                  | 69,185                  |
| Deferred tax liabilities   |                         |                         |
| Reserve for deferred gains on sales of fixed assets for tax purposes | (10,127)                | (10,638)                |
| Other  | (4,542)                 | (15,999)                |
| Total deferred tax liabilities                                       | (14,669)                | (26,638)                |
| Net deferred tax assets  | 51,243                  | 42,546                  |

2. As the difference between the statutory tax rate and the effective tax rate is less than 5% of the statutory, reconciliation schedule of tax rate is omitted.

**FINANCIAL RESULTS**

**for**

**THE YEAR**

**ended**

**DEC. 31, 2002**

**SUPPLEMENTARY COMMENTS**

**KIRIN BREWERY COMPANY, LIMITED**

**FEB. 19, 2003**

2002 Actual:Parent

PROFIT CHANGE FROM PRIOR YEAR

(¥ Billions)

| Item  | 02Actual | 01Actual | Difference | Reference  |
|---|----------|----------|------------|--|
| <b>Sales</b>  | 999.9    | 1,028.4  | (28.5)     |  |
| Decrease in selling cost  |          |          | 18.0       | Sales promotion and advertising :17.6<br>Freight :0.4  |
| Increase in alcoholic beverages business profit                 |          |          | 8.9        | Decrease in beer business marginal profit:(25.4)<br>Increase in happou-syu business marginal profit:20.7<br>Increase in hyouketsu business marginal profit:8.0<br>Change of selling scheme for whiskey,spirits and wines:5.2,etc |
| Decrease in fixed cost at breweries                             |          |          | 2.4        | Decrease in production of new kegs:0.7<br>Fuel:0.5,etc.  |
| Decrease in beer and Happo-syu material cost                    |          |          | 1.6        | Barley:1.3 cans:1.4<br>Increase in production of new bottles:(1.6),etc.  |
| Decrease in depreciation  |          |          | 0.2        |  |
| Increase in labor cost  |          |          | (1.2)      |  |
| Other   |          |          | (5.7)      | Doubtful account expense:(3.4)<br>Operating expenses for Spirits and Wines.Dpt:(1.9),etc   |
| Effect from price reductions to happo-shu product               |          |          | (15.1)     |  |
| <b>Decrease in Operating Income</b>                             | 44.0     | 34.9     | 9.1        |  |
| Financial profit, net   |          |          | 0.2        |  |
| <b>Decrease in Income Before Special Items and Income Taxes</b> | 53.8     | 44.5     | 9.3        |  |
| Decrease in special expenses, net                               |          |          | 1.6        | Write-down of investment in subsidiaries and affiliates:3.4<br>Loss on devaluation of golf club membership:1.9<br>Loss on devaluation of real estate in trust:(3.3)  |
| Income taxes, etc   |          |          | (3.9)      |  |
| <b>Increase in Net Income</b>                                   | 26.3     | 19.3     | 7.0        |  |

2003 Forecast:Parent

PROFIT CHANGE FROM CURRENT YEAR

(¥ Billions)

| Item   | '03Forecast | '02Actual | Difference | Reference   |
|--|-------------|-----------|------------|---|
| Sales  | 1,030.0     | 999.9     | 30.1       |   |
| Increase in alcoholic beverages business profit          |             |           | 9.7        | Decrease in beer business marginal profit: (7.8)<br>Increase in happo-shu business marginal profit: 6.9<br>Increase in hyouketsu business marginal profit:6.8<br>Change of selling scheme for whiskey,spirits and wines:3.1,etc |
| Increase in beer and Happo-syu material cost             |             |           | 7.7        | Starch:0.9 Barley:0.6 cans:5.6<br>Decrease in production of new bottles:0.4,etc.  |
| Decrease in selling cost                                 |             |           | 3.0        | Sales promotion and advertising cost : 3.0  |
| Decrease in beer and Happo-syu ingredient cost           |             |           | 1.4        | Decrease in production of new kegs:1.1,etc.   |
| Decrease in depreciation                                 |             |           | 1.1        |   |
| Decrease in labor cost                                   |             |           | 0.6        |   |
| Other  |             |           | (0.5)      | Operating expenses for Spirits and Wines.Dpt:(0.6),etc.   |
| Effect from price reductions to happo-shu product        |             |           | (10.0)     |   |
| Increase in Operating Income                             | 57.0        | 44.0      | 13.0       |   |
| Financial profit, net                                    |             |           | 4.2        |   |
| Increase in Income Before Special Items and Income Taxes | 71.0        | 53.8      | 17.2       |   |
| Increase in special income, net                          |             |           | (0.5)      | Loss on disposal of fixed assets:(1.6)<br>Loss on sale of fixed assets:(1.5)<br>Loss on sale of securities:(0.2)<br>Loss on devaluation of real estate in trust:3.3,etc.  |
| Income taxes, etc  |             |           | (7.0)      |   |
| Increase in Net Income                                   | 36.0        | 26.3      | 9.7        |   |

Parent

Sales and Major Expenditures

(¥ Billions)

|  | 2003<br>Forecast |                        | 2002<br>Actual |                        | 2001<br>Actual |                        |
|--|------------------|------------------------|----------------|------------------------|----------------|------------------------|
| Sales volume of  |                  |                        |                |                        |                |                        |
| alcoholic beverages business                           | thousand KL      | Increase<br>(Decrease) | thousand KL    | Increase<br>(Decrease) | thousand KL    | Increase<br>(Decrease) |
| Total of low alcoholic beverages                       | 2,740            | 2.5%                   | 2,672          | 2.1%                   | 2,617          | (4.9%)                 |
| <i>Beer</i>  | 1,367            | (4.9%)                 | 1,436          | (14.0%)                | 1,670          | (12.3%)                |
| <i>Happo-shu</i>                                       | 1,155            | 6.5%                   | 1,084          | 21.6%                  | 891            | 6.4%                   |
| <i>Subtotal</i>  | 2,522            | 0.0%                   | 2,521          | (1.6%)                 | 2,562          | (6.6%)                 |
| <i>Hyoketsu-can</i>                                    | 200              | 49.5%                  | 133            | 261.9%                 | 36             | —                      |
| <i>Other(Two Dogs, etc.)</i>                           | 18               | 5.6%                   | 17             | (2.7%)                 | 17             | 101.4%                 |
| Sales volume by major brands                           | million cases    |                        | million cases  |                        | million cases  |                        |
| <i>LAGER</i>   | 53.70            | (7.9%)                 | 58.30          | (17.7%)                | 70.80          | (15.4%)                |
| <i>ICHIBAN SHIBORI</i>                                 | 48.60            | (3.2%)                 | 50.20          | (8.1%)                 | 54.70          | (4.2%)                 |
| <i>TANREI</i>  | 79.40            | 7.9%                   | 73.60          | 10.1%                  | 66.90          | 1.4%                   |
| Breakdown of sales                                     | 1,030.0          | 3.0%                   | 999.9          | (2.8%)                 | 1,028.4        | (3.6%)                 |
| Total of Alcoholic beverages                           | 968.0            | 2.7%                   | 942.5          | (3.1%)                 | 972.4          | (4.2%)                 |
| Total of low alcoholic beverages                       | 935.6            | 2.1%                   | 916.4          | (3.1%)                 | 945.8          | (6.4%)                 |
| <i>Beer</i>  | 550.0            | (4.9%)                 | 578.2          | (13.9%)                | 671.6          | (12.5%)                |
| <i>Happo-shu</i>                                       | 326.0            | 10.2%                  | 295.7          | 15.0%                  | 257.0          | 6.5%                   |
| <i>Subtotal</i>  | 876.0            | 0.2%                   | 873.9          | (5.9%)                 | 928.7          | (7.9%)                 |
| <i>Hyoketsu-can</i>                                    | 52.6             | 48.0%                  | 35.5           | 264.3%                 | 9.7            | —                      |
| <i>Other(Two Dogs, etc.)</i>                           | 7.0              | 2.9%                   | 6.8            | (6.1%)                 | 7.3            | 254.0%                 |
| Whiskey, Spirits and wines etc.                        | 32.3             | 23.5%                  | 26.1           | (1.7%)                 | 26.6           | 485.3%                 |
| Pharmaceuticals  | 55.0             | 16.5%                  | 47.2           | 0.5%                   | 47.0           | 4.6%                   |
| Other  | 7.0              | (30.8%)                | 10.1           | 12.5%                  | 8.9            | (30.6%)                |
| Sales Promotion  | 94.6             |                        | 65.8           |                        | 76.4           |                        |
| Advertising  |                  |                        | 31.8           |                        | 38.8           |                        |
| <i>Beer and Happo-shu</i>                              | 72.8             |                        | 81.2           |                        | 104.7          |                        |
| <i>Hyoketsu-can</i>                                    | 9.1              |                        | 6.9            |                        | 3.1            |                        |
| R&D  | 23.2             |                        | 21.5           |                        | 22.1           |                        |
| Labor Cost   | 79.1             |                        | 79.7           |                        | 78.5           |                        |
| Depreciation   | 36.3             |                        | 37.4           |                        | 37.6           |                        |
| Financial profit, net                                  | 10.4             |                        | 8.4            |                        | 8.0            |                        |
| Number of Employees                                    |                  |                        |                |                        |                |                        |
| (Including seconded staff from group companies)        | 5,900            |                        | 6,346          |                        | 6,540          |                        |
| Capital Expenditures                                   | 33.0             |                        | 25.7           |                        | 44.2           |                        |
| (Major Items)  |                  |                        |                |                        |                |                        |
| Expansion of facilities at Tochigi plant               | —                |                        | —              |                        | 13.1           |                        |
| Renewal of Okayama plant                               | —                |                        | 6.9            |                        | 7.4            |                        |
| Renewal of Toride plant                                | —                |                        | 2.0            |                        | 4.2            |                        |
| Redevelopment subsequent to closing of Hiroshima plant | 8.5              |                        | —              |                        | —              |                        |

|        |
|--------|
| Parent |
|--------|

**Major Changes in Assets and Liabilities**

(\$Billions)

|  | 2002<br>Actual | 2001<br>Actual | Increase<br>(Decrease) | Reference   |
|--|----------------|----------------|------------------------|---|
| Cash   | 54.8           | 89.7           | (34.9)                 | Disbursements for investments                               |
| Investments in subsidiaries<br>and affiliates  | 257.6          | 164.5          | 93.1                   | Investments in SAN MIGUEL CORPORATION,etc.                  |
| Short-term loans payable<br>and Long-term debt | 43.5           | 12.5           | 31.0                   | Financing for investments in SAN MIGUEL<br>CORPORATION,etc. |
| Bonds  | 110.0          | 70.0           | 40.0                   | 6th issue of debenture bonds:40billion                      |

# 2003年初目標 キリンEVA計算書 (年間)

|      |      |
|------|------|
| 単社   |      |
| 会計年度 | 2003 |
| 決算月  | 12   |
| 持分   | %    |

|     |           |
|-----|-----------|
| 作成日 | 2003/2/20 |
| 作成者 | 小林(登)     |

(千円)

| (NOPAT)       |  | 2003事業総予算<br>損益計算書 | 2003事業総予算<br>NOPAT |                 |
|---------------|--|--------------------|--------------------|-----------------|
|               |  | 1,030,000,000      | 1,030,000,000      | PL1010          |
|               |  | 720,000,000        | 720,000,000        | PL1020          |
|               |  | 253,000,000        | 253,000,000        | PL2010          |
|               |  | 57,000,000         | 57,000,000         |                 |
|               |  | 18,500,000         | 18,500,000         | PL_NOI          |
|               |  | 4,500,000          | 4,500,000          | PL_NOE(費用ネット計上) |
| NOPATから除く     |  | + 支払利息・割引料・社債利息①   | 2,070,000          | *下記の通り          |
|               |  | + 受取配当金調整          | ▲ 9,735,000        |                 |
|               |  | 430,000            | 430,000            | PL_SPP          |
|               |  | 9,930,000          | 9,930,000          | PL_SPL          |
|               |  |                    |                    | *下記の通り          |
| 2002年度より調整しない |  | + 営業権償却額⑤          |                    |                 |
|               |  | + 貸倒引当金増減          |                    |                 |
|               |  | 61,500,000         | 53,835,000         |                 |
| PL7100+7200   |  | 25,500,000         | 25,500,000         |                 |
|               |  |                    | 871,470            |                 |
|               |  | 36,000,000         | 27,463,530         |                 |
| NOPATから除く     |  | - 調整後税引前利益         |                    | PL7300          |
| NOPATから除く     |  | - 法人税等(EVA税)       |                    | ※LN・SMC・EI・KAS  |
| NOPATから除く     |  | - 少数株主損益③/調整※      |                    | PL3060          |
|               |  | + 連結調整勘定償却額-借方④    |                    | INPUT           |
|               |  | - 連結調整勘定償却額-貸方④    |                    |                 |
|               |  | + LNブランド償却額        |                    |                 |
|               |  | 36,000,000         | 27,463,530         |                 |
|               |  | 当期純利益/NOPAT        |                    |                 |

EVA用投下資本 726,564,305

(資本コスト)  
(資本費用)

資本コスト 5%  
資本費用 36,328,215

(EVA)

EVA ▲ 8,864,685

(EVA税)  
実効税率  
支払利息

|      |           |
|------|-----------|
| 実効税率 | 42.10%    |
| 支払利息 | 2,070,000 |
| 計    | 2,070,000 |

|              |            |
|--------------|------------|
| 法人税・住民税及び事業税 | 25,500,000 |
| + 支払利息による節税分 | 871,470    |
| EVA税②        | 26,371,470 |

PL7100+7200

## 2003年初目標 キリン社投下資本

単位:千円

| (投下資本)       | 2002年期末<br>貸借対照表 |                       | 2003年期首<br>投下資本 |
|--------------|------------------|-----------------------|-----------------|
|              | 54,838,260       | 現金及び預金                | 54,838,260      |
|              | 1,001,405        | + 有価証券                | 1,001,405       |
|              | 180,282,292      | + 売掛債権                | 180,282,292     |
|              | 36,851,884       | + 棚卸資産                | 36,851,884      |
| 2002年度より含める  | ▲ 4,327,977      | + 貸倒引当金-短期⑦           | ▲ 4,327,977     |
| 投下資本から除く     | 12,168,596       | + 繰延税金資産(短期)⑧         | —               |
|              | 23,099,704       | + その他流動資産             | 23,099,704      |
|              | 303,914,164      | 流動資産                  | 291,745,568     |
|              |                  | - 支払手形及び買掛金           | 98,649,326      |
|              |                  | - 未払費用                | 59,573,462      |
|              |                  | - 未払税金                | 140,609,346     |
|              |                  | - その他流動負債             | 113,751,072     |
|              |                  | + 設備支払手形・未払金⑨         | 5,297,262       |
|              |                  | 正味運転資本                | ▲ 115,540,376   |
| 投下資本から除く     | 401,351,396      | + 償却後有形固定資産           | 401,351,396     |
|              |                  | - 建設仮勘定⑥              | 8,130,587       |
|              |                  | + 営業権                 | 0               |
|              | 6,047,358        | + その他無形固定資産及び連調-借方    | 6,047,358       |
|              | 533,086,584      | + その他投資他              | 533,086,584     |
| 2002年度より含める  | ▲ 3,362,375      | + 貸倒引当金-長期⑦           | ▲ 3,362,375     |
|              | 39,075,320       | + 繰延税金資産(長期)⑧         | —               |
|              |                  | + 繰延資産                | 0               |
| 01借方→02資本の部  |                  | - 為替換算調整勘定-(資本の部)     | 0               |
| 2002年度より調整項目 |                  | - その他有価証券評価差額戻し       | ▲ 10,450,552    |
| 投下資本から除く     |                  | - 退職給与引当金・役員退任慰勞引当金⑩  | 82,800,231      |
| 投下資本から除く     |                  | - その他引当金⑨             | —               |
| 2002年度より資本の部 |                  | - 受入保証金               | 5,790,262       |
| 投下資本から除く     |                  | - 連結調整勘定-貸方④          | —               |
| 累計額を投下資本に加算  |                  | + 連結調整勘定償却額-借方の累計額④   | —               |
| 累計額を投下資本より減算 |                  | - 連結調整勘定償却額-貸方の累計額④   | —               |
| 投下資本に加算      |                  | + 営業権償却(LNフラット含む)累計額⑤ | —               |
|              | 1,280,112,447    | 総資産/投下資本              | 714,410,955     |

※設備手形・未払金(02年期末残高)

|        |             |
|--------|-------------|
| 未払金    | 13,030,405  |
| 設備手形   | 170,156     |
| 設備取得以外 | ▲ 7,903,299 |
| 計      | 5,297,262   |

## 2003年期末予定 投下資本 算出

方法:資産サイドからの見込みが難しいため、負債・資本サイドから2003期首からの増減を見込んで算出する。

①資本の部:経営指標算出における資本の部の増減にあわせる。

②負債の部:無利子負債については、2003期首(2002期末)と同じとし、有利子負債については 連結予定C/Fより増減を見込む。

算出:

|            |             |                    |             |
|------------|-------------|--------------------|-------------|
| 2003期首残高   | 714,410,955 | ※1)資本の部:2003期末予定残高 | 704,077,544 |
| 資本の部増減※1   | 24,306,700  | 2002期末残高           | 679,770,844 |
| 有利子負債増減※2  | 0           | 増減                 | 24,306,700  |
| 2003期末予定残高 | 738,717,655 |                    |             |

※2)有利子負債の増減

∴EVA用投下資本

|        |             |         |   |
|--------|-------------|---------|---|
| 2003期首 | 714,410,955 | 短期借入金増減 | 0 |
| 2003期末 | 738,717,655 | 長期借入金増減 | 0 |
| 平均値    | 726,564,305 | 計       | 0 |

## News Release

Kirin Brewery Co., Ltd.  
February 19, 2003

Company: Kirin Brewery Co., Ltd.  
Stock Exchange Code No. 2503  
(First Section of the Tokyo Stock  
Exchange)  
Representative: Koichiro Aramaki, President  
Contact: Sumio Nagata, Public Relations  
Tel: 03-5540-3450

## Notice of Treasury Stock Purchase

(Acquisition of Treasury Stock pursuant to Article 210 of the  
Commercial Code of Japan)

Kirin Brewery Co., Ltd. (Koichiro Aramaki, President) announces that, at a meeting of its Board of Directors on February 19, 2003 and in accordance with Article 210 of the Commercial Code, it was decided that a proposal for purchase of treasury stock will be made at the 164<sup>th</sup> general meeting of shareholders to be held on March 28, 2003.

### 1. Reasons

Kirin will purchase its treasury stock in order to allow for greater flexibility in the execution of its financial strategies and management initiatives in response to changes in the economic outlook.

### 2. Purchase Details

- |                            |   |
|----------------------------|---|
| (1) Type of shares:        | Kirin Brewery common stock  |
| (2) Number of shares:      | 20 million shares (upper limit)<br>(Proportion of outstanding shares: 2%) |
| (3) Total value of shares: | ¥20 billion (upper limit)   |

Note: The purchase of treasury stock is contingent upon approval at the 164<sup>th</sup> general meeting of shareholders to be held March 28, 2003.

February 19, 2003

03 MAR -3 11 7:21  
**Kirin Management Reorganization**

Kirin Brewery Co., Ltd. (Koichiro Aramaki, President) will conduct a reorganization of its management structure effective March 28, 2003. This reorganization will allow Kirin to increase transparency and accountability in corporate operations during a period of dramatic shifts in the market and operating environment. It also forms part of the reform of corporate governance being undertaken to increase management speed and smooth implementation of strategy. The reforms being implemented include a strengthening of the functions of the Board of Directors, the highest decision-making body, and the introduction of an executive officer system. An Advisory Board, Appointment Advisory Committee and Compensation Advisory Committee will also be established to further enhance management transparency. Two further committees, the Domestic Alcohol Strategy Committee and Management Strategy Committee will be established to support the decision making of the president, the chief executive officer.

### **1. Board of Directors**

The number of members on the Board of Directors will be reduced in order to increase the efficiency of top-level decision-making functions, and with the aim of fostering quicker and more strategic management. An executive officer system will also be introduced to clearly distinguish between the decision-making and operational functions, as well as increase management speed.

### **2. Advisory Board, Appointment Advisory Committee and Compensation Advisory Committee**

An Advisory Board composed of experts from outside Kirin will be established to provide management advice from an objective viewpoint, and invigorate management. The establishment of an Appointment Advisory Committee and Compensation Advisory Committee will increase objectivity and transparency in the selection, dismissal, and compensation of board members, executive officers and auditors.

### **3. Domestic Alcohol Strategy Committee and Management Strategy Committee**

The Domestic Alcohol Strategy Committee and Management Strategy Committee will be established to provide support for the decision making of the Company president, the chief executive officer. The former committee will be involved with all principal management decisions regarding the domestic alcohol business, while the latter will consider all other business concerns and the operation of the Kirin Group.

The Kirin Group anticipates that the management environment will change dramatically in the near future, and is implementing this management reform in order to create a corporate group that is beneficial to the interests of all its shareholders.

\*Attached documents (*Details of proposed reorganization effective March 28, 2003*)

- List of Directors, Auditors, and Executive Officers (2 pages)
- New Kirin Management Structure Diagram (1 page)

For Further Information:

Public Relations Department  
Kirin Beverage Company, Limited  
10-1, Shinkawa 2-chome, Chuo-ku, Tokyo  
Telephone: +81-3-5540-3450 (Toll Free in Japan: 0120-11-1560)  
Web site: [www.kirin.co.jp](http://www.kirin.co.jp)

## **List of Directors, Auditors, and Managing Officers**

(Details of proposed reorganization effective March 28, 2003)

### **1. Directors**

#### **Chairman of the Board**

Yasuhiro Satoh

#### **President**

Koichiro Aramaki

#### **Senior Managing Director & Representative Director**

Yoshiyuki Morioka

#### **Senior Managing Directors**

Kunpei Kitamura

Naomichi Asano

#### **Managing Directors**

Yoshikazu Arai

Takeshi Shigenaga

Shozo Sawada

#### **Directors**

Kenjiro Hata

Satoru Kishi

### **2. Auditors**

#### **Standing Auditors**

Tadahisa Kawano

Motokazu Fujita

#### **Auditors**

Toyoshi Nakano

Hideo Yamamoto

### **3. Executive Officers**

#### **President**

Koichiro Aramaki

#### **Senior Managing Director & Representative Director**

Yoshiyuki Morioka

#### **Senior Managing Directors**

Kunpei Kitamura

Naomichi Asano

**Managing Directors**

Yoshikazu Arai

Takeshi Shigenaga

Shozo Sawada

**Managing Executive Officers**

Kohei Fukami

Akira Negami

Kazuyasu Kato

**Executive Officers**

Toshihiko Hagihara

Hideo Fujisawa

Kiyoaki Nakazawa

Katsuhiko Asano

Takeshi Shimazu

Kenichiro Kanegae

Kazuhiro Sato

Senji Miyake

Akio Fujioka

Hideo Mori

Masahiro Sakamoto

Chuichi Saito

Yoshiyuki Matsushima

Yoshihiko Kitamura

Yoshiaki Kiyose

Shinji Saito

Yuzo Wazumi

Hitoshi Oshima

Kazuo Yoshioka

# New Kirin Management Structure

