



05010611

82-188

KIRIN BREWERY COMPANY, LIMITED
SUMMARY OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2005 (UNAUDITED)

August 10, 2005

(English Translation)

Fiscal year ending December 31, 2005

KIRIN BREWERY COMPANY, LIMITED10-1, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan (URL <http://www.kirin.co.jp/english/>)

Code No.: 2503
 Shares Listed: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo
 Representative: Mr. Koichiro Aramaki, President
 For further information, please contact: Mr. Kensuke Suzuki, General Manager,
 Corporate Communications & IR Group,
 CSR & Communications Division
 Telephone: 81-3-5540-3450 from overseas

SUPPL

Date of the Board of Directors' Meeting for the semi-annual operation results: August 10, 2005

Application of US GAAP: None

1. Business results and financial positions for the first half of the current fiscal year

(January 1, 2005 - June 30, 2005)

[Unit: Japanese yen (¥)]

(1) Results of operations:

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

	Sales (¥ millions)	Percentage change (%)	Operating income (¥ millions)	Percentage Change (%)	Ordinary income (¥ millions)	Percentage change (%)
6 months ended June 30, 2005	740,276	(2.5)	37,528	(16.4)	39,019	(8.0)
6 months ended June 30, 2004	759,449	3.6	44,871	19.4	42,420	8.7
Year ended December 31, 2004	1,654,886		109,392		106,562	

	Net income (¥ millions)	Percentage change (%)	Net income per share primary (¥)	Net income per share diluted (¥)
6 months ended June 30, 2005	14,923	4.9	15.55	—
6 months ended June 30, 2004	14,227	2.1	14.73	—
Year ended December 31, 2004	49,099		50.58	—

Notes: ①Equity in earnings of affiliates:

June 30, 2005 ¥ 4,462 million
 June 30, 2004 ¥ 653 million
 December 31, 2004 ¥ 5,112 million

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

June 30, 2005 959,755,129 shares
 June 30, 2004 966,033,979 shares
 December 31, 2004 965,997,554 shares

③Change in accounting policies: Yes

④Percentage change means the ratio of increase or decrease in each item of business results for the 6 months ended June 30, 2005 to those for the 6 months ended June 30, 2004.

PROCESSED**AUG 22 2005****THOMSON
FINANCIAL**

2005/8/22

(2) Financial positions:

	Total assets (¥ millions)	Shareholders' equity (¥ millions)	Ratio of shareholders' equity to total assets (%)	Shareholders' equity per share (¥)
June 30, 2005	1,740,292	866,606	49.8	905.86
June 30, 2004	1,756,290	832,102	47.4	861.34
December 31, 2004	1,823,790	858,615	47.1	888.65

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

June 30, 2005	956,666,527shares
June 30, 2004	966,052,951shares
December 31, 2004	965,931,147shares

(3) Cash flows:

	Cash flows from operating activities (¥ millions)	Cash flows from investing activities (¥ millions)	Cash flows from financing activities (¥ millions)	Cash and cash equivalents at end of period (¥ millions)
6 months ended June 30, 2005	4,313	(43,578)	(38,902)	99,664
6 months ended June 30, 2004	23,102	(26,057)	(19,955)	106,866
Year ended December 31, 2004	127,963	(44,252)	(35,901)	177,257

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

Consolidated subsidiaries:	275 companies
Subsidiaries accounted for by the equity method:	—
Affiliates accounted for by the equity method:	16 companies

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

Consolidation:	Increase 5 companies,	Decrease 6 companies
Equity method:	Increase 1 company,	Decrease none

2. Forecast of business results for the current fiscal year (January 1, 2005-December 31, 2005)

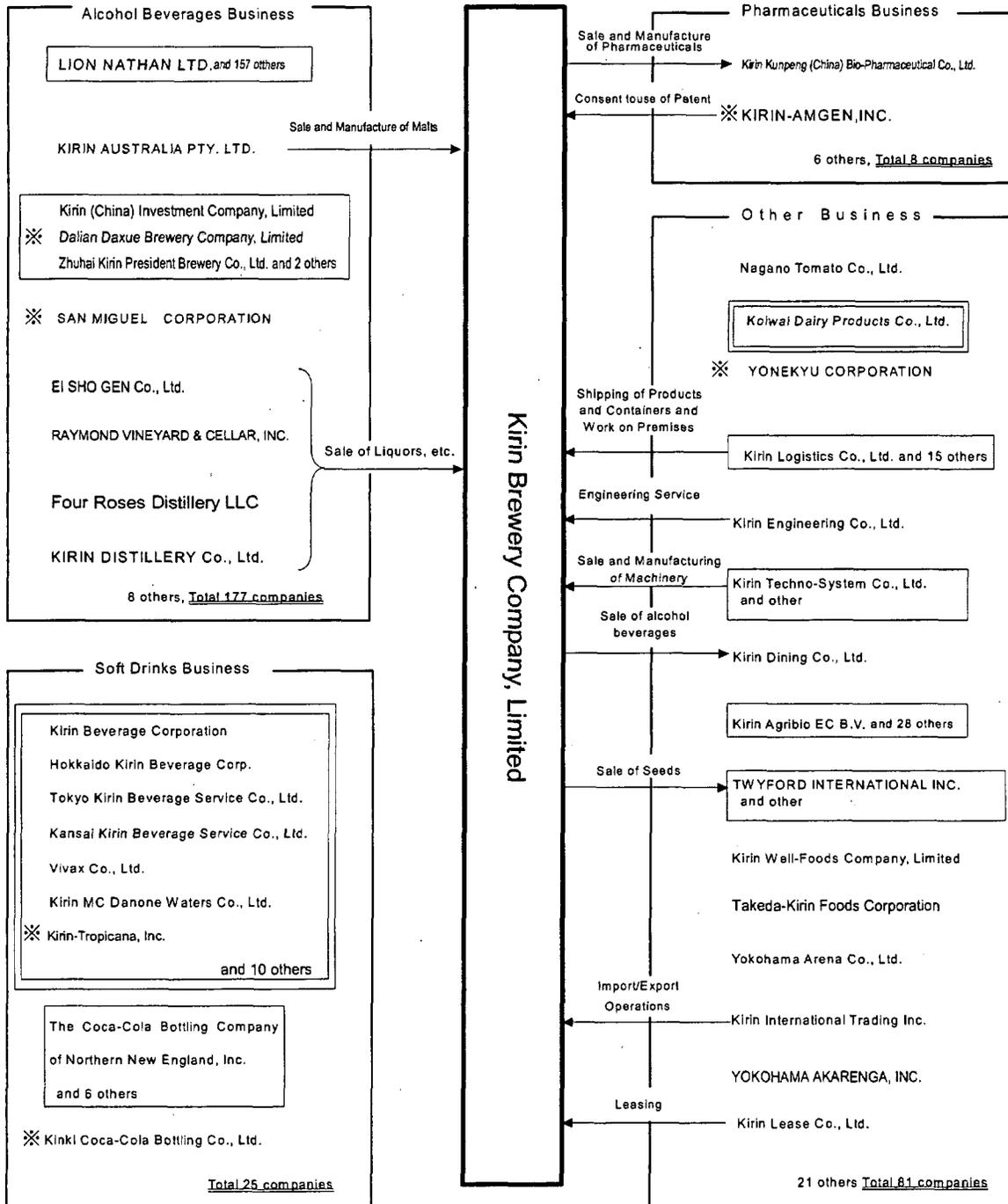
	Sales (¥ millions)	Ordinary income (¥ millions)	Net income (¥ millions)
Year ending December 31, 2005	1,650,000	109,000	50,000

Note: Forecasted net income per share ¥ 52.01
Forecasted operating income ¥ 110,000 million

Refer to Page 10 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 275 consolidated subsidiaries and 16 affiliates applied by the equity method. The major group companies in the respective business segments are as follows:



Consolidated subsidiaries are stated above, except for ※ marked affiliates to which the equity method is applied.

Note Among subsidiaries, Kirin Beverage Corporation is listed on the First Section of the Tokyo Stock Exchange.

means the consolidated subsidiaries of Kirin Beverage Corporation.

Management Policies

1. Basic Kirin Group Management Policies

The Kirin Group, in order to realize its corporate philosophy of contributing to the health, happiness and comfort of people around the world, has established corporate guidelines with regard to the following five areas:

- (1) Customer standards/Quality standards
- (2) Fair and open activities
- (3) Respect for humanity
- (4) Sound management
- (5) Social contributions

Long-Term (2010) Group Vision

- Keep closely in touch with our customers, and as a trusted corporate Group offer the joy of food and health
- Utilizing leading technology in fermentation and biotechnology and, focusing on the alcohol beverage and soft drink businesses, become a leading company in Asia and Oceania

2. Distribution of Profits

Kirin considers the appropriate distribution of profit to shareholders to be a top management priority, and the Company has paid dividends every year without fail since its establishment in 1907. Kirin intends to continue declaring stable dividends, based on due consideration in each fiscal period of overall factors such as business performance and future funding requirements. Retained earnings will be used for capital investment in alcohol beverage manufacturing plants and other areas that can contribute to the creation of higher corporate value.

3. Share Trading Unit

Kirin places importance on increasing its corporate value, expanding its shareholder base and increasing the liquidity of its stock. The Company will continue to consider reducing the share trading unit for Kirin shares, taking into account factors such as overall costs and benefits and trends in the stock market.

4. Medium- to Long-term Strategy and Targets

For Kirin Group, 2004 marked the first year of a three-year medium-term management plan. Utilizing the Group management foundations that have been established, and continuing to pursue higher profitability, this plan focuses on improving the value of the Kirin brand throughout the Group, and effecting a qualitative transformation to become a strong, development and proposal oriented corporate group.

As a part of this effort, in addition to improving EVA*, Kirin has set Group targets for 2006 of ¥1,860 billion in sales, an operating margin of 7%, and ROE of 6%.

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

5. Issues for the Kirin Group

The following are specific strategies outlined in the 2004-2006 medium-term business plan.

(1) Strengthen the Domestic Alcohol Beverages and Soft Drinks Businesses, the Foundations of the Kirin Brand

Bolster product brands to increase the Kirin brand value

In the domestic alcohol beverage business, Kirin will clarify its positioning in each alcohol category, and through a strengthening of product brands reaffirm its leading position in the low-alcohol* market by 2006. As a corporate Group focused on development and proposal oriented marketing, Kirin will promote market-creating product strategies that anticipate diversity and changes in consumer preferences, values and lifestyle. In the soft drinks business, Kirin will concentrate on growing categories, employing products developed through the application of Group R&D to offer products that create new markets.

* Collective term for beverages with alcohol content of less than 10%, such as beer, *happo-shu*, *new genre* and canned *chu-hi* drinks.

Create new business models utilizing synergies from the domestic alcohol and soft drinks businesses

In all aspects of the business, including R&D, production, distribution and sales, Kirin will shift to an approach based on providing added value to customers from a competitive business foundation, rather than taking a competitor-focused approach. Kirin will promote a change to a business style focused on development and proposal-oriented marketing. Also, by building an enhanced infrastructure through integration of product development with that of the soft drinks business, joint distribution and greater contracted production of soft drinks, Kirin will establish new business models, and enhance Group synergies.

(2) Strengthen the Foundations of the International Alcohol Beverages Business, and Further Develop Diversified Businesses

In overseas alcohol beverages business, Kirin seeks to offer a comprehensive lineup of alcohol products throughout the Group. Concentrating on Asia and Oceania as principal markets, Kirin will formulate product strategies appropriate to each market, enhance Group synergies, strengthen business foundations in ways that may include new joint ventures, and improve profitability.

In the pharmaceuticals business, Kirin will further strengthen its sales base, and is seeking to launch the second-generation renal anemia treatment based on KRN321, which is currently under development. While considering new joint business ventures, Kirin will also enhance its development pipeline, and expand its business in Asia. The agrifood and nutrient foods businesses will also continue to be strengthened.

(3) Implementation of Corporate Social Responsibility (CSR)

Amid growing societal demands for assurances regarding the trustworthiness of corporations, the Kirin Group will implement measures that establish a unique approach to CSR. The Kirin Group is focusing its efforts on environmental management, ensuring food safety, promoting responsible drinking, and guaranteeing management compliance.

6. Corporate Governance

Fundamental Policies Concerning Corporate Governance

Kirin has positioned corporate governance as a key management priority. To this end, Kirin has undertaken a comprehensive reorganization of its management structure and implemented a series of initiatives. In April 2003, Kirin streamlined the structure of its Board of Directors, and established the Compensation Advisory Committee and the Appointment Advisory Committee. At the same time Kirin set up an Advisory Board, introduced an executive officer system and undertook a major review of the company's meetings structure and management framework. Under this new governance structure, Kirin is working to ensure increased transparency and efficiency in corporate management.

Corporate Governance Status and Initiatives

(1) Corporate governance structure—decision-making, executive, oversight and administrative functions

① Corporate Structure

- Kirin has adopted an auditor system
- The Company's Board of Directors is comprised of 10 directors, including two external directors. Kirin maintains four auditors, including two external auditors
- While the Company has adopted an auditor system, the Compensation Advisory Committee and the Appointment Advisory Committee have been established to deliberate matters relating to compensation and the appointment of directors, auditors and executive officers.

The Compensation Advisory Committee comprises the president, an external director and two other directors. The committee serves in an advisory capacity to the Board of Directors and reports to the Board in connection with the compensation of directors, auditors and executive officers on an objective and fair basis giving due consideration to the business environment, the Company's performance, appropriate compensation standards and individual performance.

The Appointment Advisory Committee is comprised of the president, an external director and two other directors. The committee serves in an advisory capacity to the Board of Directors and provides to the Board a list of candidates for directors, auditors and executive officers. In addition, Kirin has established an Advisory Board, which reports to and supports the Board of Directors. The purpose and function of the Advisory Board is to garner the objective views and suggestions of a panel of diverse experts concerning major issues that confront the Company, with the aim of securing greater management transparency and quality. The Advisory Board is composed of four members: Hiroyuki Itami (Professor, Graduate School of Commerce and Management, Hitotsubashi University), Eiko Oya (critic), Akira Gemma (Advisor, Shiseido Co., Ltd.), Takeyoshi Takei (editorialist of Nihon Keizai Shimbun advisory committee).

- Full-time staff are not provided to external directors. Together with internal directors, external directors are supported by the Secretary Section of the General Affairs Dept. Full-time staff are not provided to external auditors. Together with internal auditors, external auditors are supported by advisory staff to auditors.
- Kirin introduced an executive officer system with the aim of promoting increased flexibility in operating functions. Of the Company's 10 directors, eight hold the position of executive officer concurrently. There are 35 executive officers, comprising the president, executive vice president, 12 managing executive officers and 21 executive officers.

The Domestic Alcohol Strategy Committee and the Management Strategy Committee are set as meeting bodies to deliberate important matters relating to the operating function. The Domestic Alcohol Strategy Committee deliberates on important matters relating to the domestic alcohol beverages business, and the Management Strategy Committee deliberates on important matters other than the domestic alcohol beverages business and matters relating to Group Headquarters operations. Both committees support the decision-making function of the president.

- The Board of Directors and the Board of Auditors oversee and audit the operating function. The Board of Directors makes decisions on important matters relating to the operating function and legal compliance, as well as oversees the operating function. The Board of Auditors formulates auditing policies and the role of each auditor. Guided by these policies, each auditor attends and audits the activities of directors in meetings of the Board of Directors and other meeting bodies such as the Domestic Alcohol Strategy Committee and the Management Strategy Committee.

② Internal Control Systems

- Kirin's Internal Audit Department fulfills an internal audit function. The department audits the operations of the Company to ensure they remain relevant and are performed in an efficient manner in accordance with annual audit guidelines and plans.

③ Risk Management Structure

- Kirin formulates risk management rules with the aim of reducing risk and minimizing the impact on its business and on society of any negative consequences arising from risks that eventuate into reality. Kirin has also established the Risk Management Committee to oversee matters relating to risk management (chaired by a managing director). The Risk Management Committee, as well as identifying important risks, is also implementing the regular monitoring of risks in each division.
- Each division of Kirin is committed to taking the responsibility to implement measures that reinforce compliance and continually review and improve risk prevention policies. Furthermore, Kirin formulates compliance guidelines and these are provided to all staff as part of efforts to thoroughly diffuse compliant standards of behavior. Internal and external hotlines have been created allowing employees to report with a guarantee of anonymity.

④ Internal audits, Corporate Auditors' Audits, and Financial Audits

- Kirin uses a corporate auditor system, comprising two internal auditors and two external auditors. The Company's auditors set auditing policy and allocate responsibilities, and accordingly each auditor attends meetings of the board of directors as appropriate, as well as attending meetings of other internal bodies such as the Domestic Alcohol Strategy Committee and the Management Strategy Committee. Audits are also undertaken of head office business divisions, branch offices and affiliated companies, with the aim of ensuring the comprehensive supervision of the execution of the Company's business.

Internal audits are undertaken by the Internal Audit Department, separate from the corporate auditor system. This department conducts audits of the Company and affiliated companies, with the aim of ensuring sound Group risk management and internal control.

Independent financial audits are undertaken through a contract with KPMG AZSA & Co. The auditing procedures for the period under review were conducted by Kenji Sakurai, Takaya Abe and Fumio Koike, who have undertaken such auditing for the Company for the past one, ten, and three years respectively, including periods before revisions in June 2003 to the Certified Public Accountant Law. During the interim period under review, auditing assistance was provided by five certified public accountants, five assistant public accountants, and two other assistants.

(2) Transactions with related parties

External director Kenjiro Hata is a senior corporate advisor to Meiji Yasuda Life Insurance Company. External director Satoru Kishi is an advisor to The Bank of Tokyo-Mitsubishi, Ltd. External auditor Toyoshi Nakano is a senior corporate advisor to The Mitsubishi Trust and Banking Corporation. External auditor Teruo Ozaki is a certified public accountant. Kirin conducts financial transactions with Meiji Yasuda Life Insurance Company, The Bank of Tokyo-Mitsubishi, Ltd. and The Mitsubishi Trust and Banking Corporation. All of these transactions are routine and present no conflicts of interest for external directors or auditors as individuals.

(3) Corporate Governance Initiatives during the period July 2004 to June 2005

1. Board of Directors and Board of Auditors Meetings and Attendance

The Board of Directors meets regularly twice a month and irregularly as necessary. The Board of Directors met 29 times during the past 12 months, with a 74% attendance rate by external directors.

The Board of Auditors meets once a month. In the past 12 months the Board of Auditors convened 12 times with a 96% attendance rate by external auditors.

2. Committee Meetings and Attendance

The Compensation Advisory Committee met three times in the past twelve months, with 92% attendance at each meeting.

The Appointment Advisory Committee met two times in the past twelve months, with 100% attendance at each meeting.

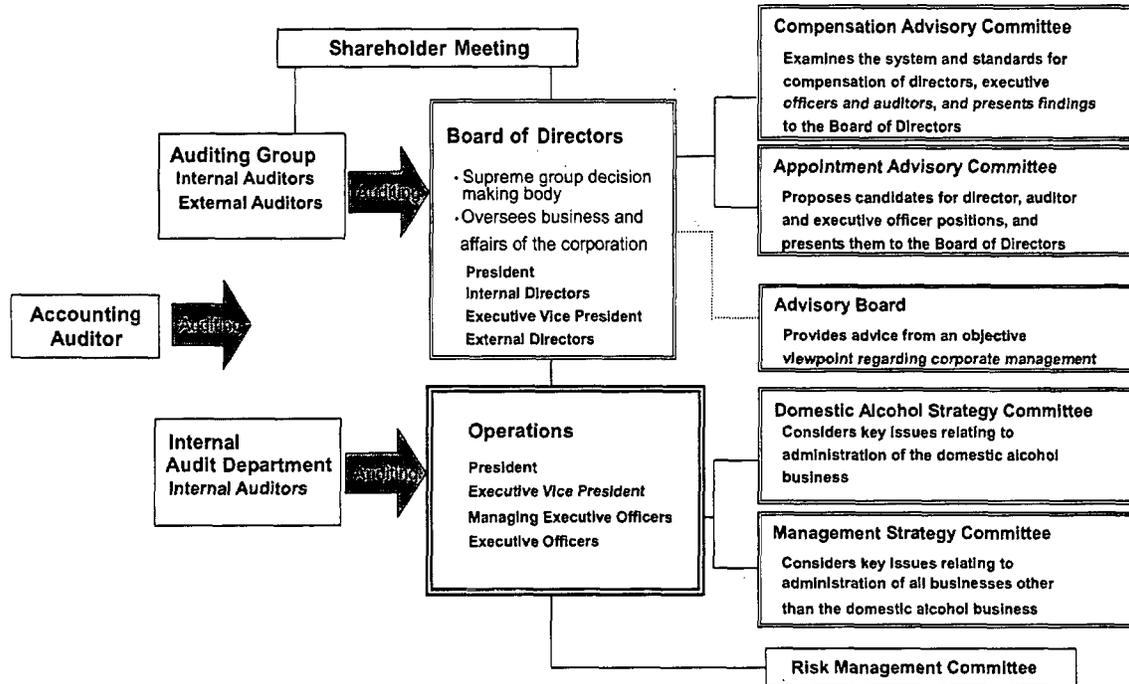
3. Advisory Board Meetings and Attendance

The Advisory Board met two in the past twelve months, with 100% attendance at each meeting.

4. Other

In the period under review no new committees were established and no changes were made to the framework of business execution, business oversight, internal control or risk management.

The following is a diagram of the Company's corporate governance structure.



Note: Members comprise 10 board directors (including two external directors); four auditors (including two external auditors); 35 executive officers (including the president, vice president, 12 managing executive officers and 21 executive officers); four members of the Compensation Advisory Committee (including one external member); four members of the Appointment Advisory Committee (including one external member); and four Advisory Board members. Eight of the 10 directors hold the concurrent post of executive officers.

7. CORPORATE SOCIAL RESPONSIBILITY MEASURES

Kirin aims for the continued trust of society by making efforts to promote compliance, responsible drinking, and protection of the environment. In March 2005 Kirin moved to strengthen its approach to CSR by establishing a CSR & Corporate Communication Division, responsible for the overall Groupwide pursuit and unification of CSR activities and communications with all stakeholders. A CSR Management Group was established within this division, with responsibility for establishing and overseeing basic CSR strategy, and established a Group CSR Committee, comprising members of the CSR & Corporate Communication Division, other related divisions, and Group companies, with the aim of facilitating the introduction of CSR strategies devised by the CSR Management Group into individual Group companies.

Our approach to environmental issues includes efforts to minimize packaging and waste by selling six-packs of beer and happo-shu as well as cases of 24 separate cans, so that customers can make single-can purchases without using unnecessary cardboard. We are extending our initiatives to protect water supplies and sustain water quality throughout Japan through activities such as our Forest Reservoir Project. In another approach, we have adopted the 'Cool biz' policy being promoted by the Environment Ministry to reduce power consumption by a targeted 6% during summer by encouraging staff to wear short-sleeve shirts without a necktie or jacket, reducing the need for air conditioning in offices.

In compliance matters we have been instituting training programs via a company intranet and group training sessions.

Our approach to food safety is based on a continuous effort to maintain and improve our quality management systems. In addition to local community initiatives based around our plant locations, we are continuing to support sports, including Japan's 2006 world cup-bound national men's soccer team. One of our cultural activities involves a research project into the 5,000-year history of beer, which is now entering its third stage with a focus on the origins of beer in Japan.

Business Results and Financial Position

1. Business Performance

The domestic economy showed moderate recovery during the interim period under review, supported by further progress in corporate earnings and stronger employment. However, several factors have begun to limit corporate profitability—including increases in the cost of oil and other materials and a flattening out of exports to China and other countries—and a strong domestic demand-led economic recovery remains uncertain.

Within the combined market for beer + *happo-shu* + *new genre*¹, sales of *new genre* products grew rapidly, but due to lower sales of beer and *happo-shu*, overall industry sales in this segment were lower than in the previous interim period. The market for *chu-hi* also continued to grow, but while sales of *shochu* increased, the wines and spirits market declined. In the soft drinks market, continued growth in green tea and mineral water contributed to an estimated 3% increase industry volumes compared to the previous interim period.

Kirin's focus during this period, based on the Group medium-term business plan for 2004—2006, was to increase the value of the Kirin brand and continue making qualitative changes to become a strong, development and proposal-oriented Group.

Consolidated sales for the six months ended June 30, 2005 were ¥740.2 million, a decrease of 2.5% compared to the previous interim period. Pharmaceutical sales increased, but sales of beer and *happo-shu* decreased. Operating income for the period decreased 16.4% to ¥37.5 million, ordinary income decreased 8.0% to ¥39.0 million, and net profit increased 4.9% to ¥14.9 million.

An interim dividend payment of ¥7 per share has been declared.

Business performance by division was as follows.

Alcohol Beverages Business

In the domestic alcohol beverages business we are developing our operations as a comprehensive alcohol beverages business focusing on the low alcohol beverages market². At the same time as securing a leading position in each category, we are continuing to promote a shift from price-driven marketing to value-driven marketing.

In beer, the category that has the strongest impact on the value of the Kirin brand, we undertook a number of initiatives during the period under review. We continued our food-based marketing approach for *Kirin Ichiban Shibori*, further developing a theme that has continued since 1998 by introducing a "happy meal times with Kirin beer" campaign centering on local delicacies in 47 cities and regions of Japan. In the high added-value chilled beer market, pioneered in Japan by Kirin, we took steps to further develop our business with the renewal of *Maroyaka Kobo* in March.

In *happo-shu*, a category that has become central in the household evening consumption market, we reinforced the market leading position of the *Tanrei* brand with a renewal of the *Tanrei* series *Tanrei Nama*, *Tanrei Green Label*, and *Tanrei Alpha*, supported by a large advertising and sampling campaign.

In April we launched *Kirin Nodogoshi*, our entry into the promising *new genre* market, with a coordinated marketing approach across the Group and widespread advertising.

In *chu-hi* we have expanded our unique product line up with the launch in March of a new flavor *Hyoketsu Lychee*, followed by new seasonal flavors *Hyoketsu Pineapple Cooler* and *Hyoketsu Guáva Cooler* in May and June respectively.

In wines and spirits, we focused on strengthening our core wine brands such as *Franzia*, the world's biggest selling wine brand³, and *Café de Paris*, and in April began marketing *B&G French Tom*.

As an official sponsor of the Japan national men's soccer team we embarked on an active promotional campaign around the final Asian-region group qualifying matches for the 2006 FIFA world cup, including a popular 'Kachi-T' original t-shirt and 'Kachi-daru' miniature beer keg promotion that began in June.

In sales and marketing we were closely engaged in following up on the introduction of open pricing in January 2005, a move aimed at strengthening the industry and improving service to customers. Open pricing is a new system under which prices at each wholesaler and retailer reflect individual distribution efficiencies and operating costs.

In our overseas alcohol business, which we are pursuing mainly in Asia and Oceania with particular emphasis on China, initiatives have included the commencement of operations of Kirin (China) Investment Co., Ltd. and the handling of existing Kirin brands in China, such as *Kirin Chun Zhen Wei* beer in China. In June we took our first step in the international rollout of Kirin *Chu-hi Hyoketsu* by launching the product in Shanghai in a Group synergy with Kirin Beverage Corporation.

Sales in the alcohol beverages business decreased 4.6% to ¥459.0 billion compared with the previous interim period,

¹ *New genre* products entered the markets in 2004. Under the Japanese liquor tax law these products are taxed at a lower rate than beer or *happo-shu*

² Refers to beverages such as beer, *happo-shu*, *new genre* and *chu-hi* that contain less than 10% alcohol

³ Largest sales volume of a single brand, according to IMPACT DATA BANK 2004 EDITION

affected by weakness in the overall beer + happo-shu + new genre market, and operating income decreased 13.1% to ¥24.9 billion.

Soft Drinks Business

In the soft drinks business, Kirin Group's core soft drink business Kirin Beverage Corporation worked to expand sales by building its core brands and tailoring management strategies to specific regions and business channels.

Core brand *Nama-cha* underwent a comprehensive renewal in March 2005, supported by efforts across the company to capture a greater share of the green tea market. Other core Kirin brands such as *Kirin Fire*, *Kirin Gogono-kocha* (Afternoon Tea) and *Kirin Amino Supli* also had their brand images refreshed. In the growing mineral water market Kirin Beverage focused on strengthening the brand value of Alkali-Ion-no-Mizu and Volvic through marketing activities aimed at positioning mineral water in new lifestyle scenes

In overseas soft drinks operations, Kirin Beverage continued to meet increasingly diverse customer demand in China through initiatives such as the simultaneous launch in February of *Kirin Shanghai-Reicha* in China and Japan

Sales in the soft drinks business reached ¥170.2 billion, 0.0% higher than in the previous interim period, while operating income decreased 26.3% to ¥5.1 billion due to factors such as strategic brand-building investment in the green tea market.

Pharmaceuticals Business

In April we began full in-house sales of core products *ESPO*, a treatment for renal anemia, and *GRAN*, an agent used for leukocytopenia, following the end of a sales contract with Sankyo Co., Ltd. In March we established Kirin Pharmaceuticals Singapore Pte., Ltd. in Singapore and in June established Kirin Pharmaceuticals Thailand Co., Ltd. in Thailand, both as part of the creation of a business base for full-scale entry into the ASEAN market. In R&D we have continued development of KRN321, a new-generation medicine for renal anemia, and KRN1493, a treatment for secondary hyperparathyroidism.

Sales in the pharmaceuticals business reached ¥30.5 billion, 5.3% higher than in the same period of the previous year, while operating income decreased 6.1% to ¥5.7 billion due to factors such as higher R&D expenses.

Other Businesses

In the agribio business, we moved to strengthen our flower operations in China through a tie-up in March 2005 with the agriculture and biology school of Shanghai's Jiao Tong University. Additionally, Flower Season Co., Ltd, a company that since 2001 has been developing products that carry the name of the area and grower as part of their brand, introduced a new variety from Kagoshima that brought the product line up to 12.

In nutrient foods, we strengthened our business foundation by establishing a research and development facility within our nutrient foods company. This was part of a business reorganization in March, and it means that our operations now cover the entire value chain, from R&D through to sales and marketing. At Kirin Well-Foods Co., Ltd. measures were taken to increase sales of products based on KW Lactobacillus, which was jointly developed using Group resources, including Kirin Noale, and Lieta, a diet support food that was renewed in April. In June we formed an alliance agreement with Yakult Honsha Co., Ltd. to develop next-generation health foods and functional foods.

Sales in other businesses reached ¥80.4 billion, 1.9% higher than in the previous interim period, due to the addition of real estate business sales to this category, while operating income decreased 45.6% to ¥2.1 billion, due to factors such as a decrease in agribio and nutrient food & feed.

2. Financial Position

Consolidated cash and cash equivalents ("cash") totaled ¥99.6 billion as of June 30, 2005, a decrease of ¥77.5 billion compared to December 31, 2004, the end of the previous fiscal year. Cash outlays for investment in fixed assets, particularly in the domestic alcohol beverages business, were covered by available cash resources.

Consolidated cash flows were as follows:

Cash flow from operating activities

Net cash provided by operating activities was ¥4.3 billion, ¥18.7 billion lower than in the previous interim period. Principal factors affecting this outcome included a decrease in income taxes of ¥5.6 billion, and a ¥18.3 billion increase in outflows of working capital resulting from changes in items such as inventory, accounts receivable, liquor taxes payable, and consumption taxes payable.

Cash flow from investing activities

Net cash used in investing activities was ¥43.5 billion, ¥17.5 billion more than in the previous interim period. Investment in fixed assets was ¥29.4 billion, ¥5.1 billion less than in the previous interim period, reflecting factors such as investment in the domestic alcohol beverages business. Investments in marketable securities and investment securities totaled ¥35.0 billion, ¥33.1 billion higher than in the previous interim period. The sale of fixed assets resulted in proceeds of ¥0.4 billion, while the sale or disposal of marketable securities and investment securities resulted in proceeds of ¥16.0 billion.

Cash flow from financing activities

Net cash used in financing activities was ¥38.9 billion, ¥18.9 billion higher than in the previous interim period. Cash dividends paid increased ¥1.8 billion to ¥14.5 billion. Repayment of borrowings resulted in outflows of ¥14.6 billion, and the acquisition of treasury stock resulted in outflows of ¥10.2 billion.

Trends in the Kirin Group's cash flow indices are as follows:

	Interim period ended 6/2003	Interim period ended 6/2004	Interim period ended 6/2005	FY ended 12/2003	FY ended 12/2004
Equity ratio (%)	45.6	47.4	49.8	45.0	47.1
Equity ratio based on market capitalization (%)	47.6	59.4	59.0	49.4	53.4
Debt service coverage (years)	--	--	--	2.9	2.5
Interest coverage ratio (times)	4.9	4.6	0.9	12.2	12.8

Notes:

- All indices are calculated from consolidated financial data
- Equity ratio = Total shareholders' equity / Total assets
- Equity ratio based on market capitalization = Market capitalization / Total assets
[Market capitalization = market price on last trading day of period x total shares outstanding at end of period (excluding treasury stock)]
- Debt service coverage = Interest-bearing liabilities / Operating cash flow [not recorded for interim periods]
[Interest-bearing liabilities refers to all liabilities with interest payable recorded on the liabilities section of the consolidated balance sheets. Operating cash flow refers to Net cash provided by operating activities in the consolidated statements of cash flow]
- Interest coverage ratio = Operating cash flow / Interest expenses
[Interest expenses refers to the interest expenses figure recorded in the consolidated statements of cash flows.]

3. Outlook for 2005

In 2005 the Kirin Group will further accelerate its qualitative transformation to become a corporate group that is strong in development and proposal-based marketing, aiming to enhance Kirin brand value and achieve the objectives of the group's 2004-2006 medium-term business plan. We intend to improve competitiveness by building on the strengthened business foundations we have created with a priority on strengthening the domestic alcohol beverages business.

In the domestic alcohol beverages business we aim to strengthen product brand value in the key markets of beer, *happo-shu* and *chu-hi* and, with our launch of our *new genre* product in April along with other new products, we aim to further strengthen our business foundations in the market overall.

In the beer market, we intend to implement the second stage of our food-based marketing campaign and prize competition in 47 regions of Japan, appealing to the excellent taste of Kirin beer when consumed with delicious food.

In the *happo-shu* market we intend to focus on our *Tanrei* line of products, boosting support for *Tanrei Green Label* in the increasingly health conscious market, and enhancing the position of *Tanrei* as Japan's dominant brand.

With respect to the *new genre*, we will continue to build marketing momentum for *Kirin Nodogoshi Nama*, with which we are aiming to become the top brand in the market.

In the *chu-hi* market we intend to continue expanding our product line-up, enhancing the current leading market position of our brand *Kirin Chu-hi Hyoketsu*.

In wines and spirits we are seeking to grow sales through initiatives such as the planned September 2005 launch of our first Kirin-branded whisky, *Kirin Whiskey Fuji Sanroku*, which is being produced in Japan, and the launch of a new alcohol beverage from Europe, *Beaujolais Nouveau*.

In the international alcohol beverages business, our overall aim is to be the leading company in Asia and Oceania. In pursuit of this aim we will accelerate our business development in the very competitive Chinese market through our holding company, Kirin (China) Investment Co., Ltd. while also actively pursuing synergies with Lion Nathan Limited and San Miguel Corporation.

In the soft drinks business we will continue developing core brands, centered on *Kirin Namacha* brand and Kirin Fire, while working to expand sales through active marketing and the development of new sales channels.

In the pharmaceutical business we will seek to increase sales of core products Gran and ESPO under our new in-house sales structure that began in April, and we will continue working to enhance our product pipeline. We will also take steps to fully develop sales in the high-potential ASEAN markets.

In the agribio business, we will seek to leverage our worldwide group technical capabilities and strengthen our business foundations through developing high quality, high value-added brands such as our ion beam-cultured Red Vital carnation and the potato brand *Cynthia*.

In nutrient foods we will promote sales of Group-developed products such as Kirin Noale and Lieta, and continue initiatives related to our extended alliance with Yakult Honsha Co., Ltd.

Forecasts for the fiscal year ending December 31, 2005 are for consolidated sales to decrease 0.3% year on year to ¥1,650.0 billion, with consolidated operating income increasing 0.6% to ¥110.0 billion, consolidated ordinary income increasing 2.3% to ¥109.0 billion, and consolidated net income increasing 1.8% to ¥50.0 billion.

A final dividend declaration of ¥7 per share is planned, which in combination with the interim dividend represents a planned dividend for the full year of ¥14 per share.

4. Business Risks

Outlined below are the main risks faced by Kirin in its business activities that have been identified as having the potential to have a significant impact on the decisions of investors. Information is also presented with regard to matters that are not necessarily risk factors, with the aim of ensuring active disclosure of information to investors. Based on an awareness and understanding of these risks, Kirin takes measures to prevent and reduce risks, and to respond appropriately in the case that any such risks eventuate, as outlined in section 6 (1), ③ of Management Policy above.

The risk items outlined below are those identified by the Company as of June 30, 2005.

(1) Domestic markets and economic trends

Most of Kirin Group's Alcohol Beverages division operates in Japan. This business could therefore be significantly affected by domestic economic conditions and consumer trends with regard to alcohol beverages.

Furthermore, the declining birth rate and aging population profile in Japan could lead to a weakening of the alcohol beverages and soft drinks markets.

(2) Increased taxes on alcoholic beverages

Alcohol consumption in Japan could decline if increased taxes on alcohol beverages resulted in higher prices.

(3) Changes in regulatory environment regarding alcohol beverages

In order for the Kirin Group to fulfill its social responsibility as a manufacturer and vendor of alcohol products, advertising and publicity is conducted in accordance with strict voluntary standards. However, international standards in respect of the sale of alcohol products are under consideration by institutions such as the World Health Organization. In the long term Kirin faces the risk that sales of alcohol beverages could decline if guidelines were implemented that were significantly stricter than currently envisaged.

(4) Risk in the pharmaceutical business

The pharmaceutical industry has in recent years undergone considerable restructuring through alliances and mergers. This restructuring, along with the decline in relative scale of the Group's pharmaceutical businesses, could negatively impact our performance in the pharmaceutical business. Revisions to laws, and stricter regulations, could also be disadvantageous to Kirin. The potential occurrence of unforeseen side effects from our Company's pharmaceutical products poses a further risk to our business.

(5) Risk in overseas businesses

The Kirin Group has overseas operations focusing on Asia and Oceania. Risks associated with these operations include those outlined below. We take measures to ameliorate these risks but these risks may affect our business to a greater extent than we forecast.

- Revisions to tax systems and laws and stricter regulations that have an adverse effect on our company
- Occurrence of unforeseeable political, economic or social events
- Political or social factors such as the outbreak of war or terrorist activity, SARS or avian influenza epidemics
- Earthquakes and other natural disasters
- Currency fluctuations outside the forecast range

(6) Weather and natural disasters

Kirin Group's alcohol beverages or soft drinks businesses may be adversely affected by weather patterns such as unusually cold summers or extensive typhoons. Furthermore, earthquakes and natural disasters on a large scale could damage facilities, resulting in production levels falling short of requirements.

(7) Food safety

Kirin Group is continually strengthening its strict food quality management system. The entire Group is cooperating in the implementation of quality tests in order to offer customers 'safety in food'. However, in recent years, BSE and avian influenza epidemics have threatened food safety. If quality control problems occur that are beyond the scope of our anticipatory measures, Kirin's financial position and business performance could be adversely affected.

(8) Accidents at outsourced manufacturers

Some of Kirin Group's products are produced by external manufacturers, and some products are imported. The quality of such goods is expected to be uniformly high, but the risk remains that our business could be adversely affected by quality problems at outside manufacturers or from imported goods.

(9) Environmental issues

Kirin Group currently complies with all laws regarding waste disposal and sanitation, and is thoroughly involved in manifesto management. Kirin also strictly complies with various environment laws concerning the atmosphere, water quality, noise pollution, vibrations, soil contamination and land subsidence, and other matters relating to industrial waste. However, revisions to relevant laws and regulations may necessitate additional capital expenditure, raising costs and negatively impacting Kirin's financial situation and business performance.

(10) Information leaks

Kirin Group has formulated information security policies, is implementing internal training programs and is making every effort to protect data on individuals. However, risks such as those from hacking and document falsification remain. Furthermore, computer viruses could temporarily damage the company's computer systems, adversely impacting Kirin's financial position and business performance.

(11) Effects of legal restrictions

When carrying out our business the Kirin Group abides by domestic liquor tax laws, food sanitation laws and drug legislation. Furthermore, in each country in which the Group is present we comply with local laws. If such laws change, or if new, unforeseen laws or regulations are introduced, Group activities may be curtailed, adversely impacting Kirin's financial position and business performance.

(12) Litigation risks

Kirin Group has an internal business control structure and is putting efforts into strengthening compliance management as part of measures to ensure that Kirin Group does not violate statutes and regulations when carrying out its business. However, in the course of our business in Japan and overseas, there is a possibility that litigation will be brought against the Group or its employees for real or supposed infringements of product liability, intellectual property or other laws. Either directly as a result of legal proceedings or as the result of the loss of trust from customers resulting from such proceedings there is a risk that Kirin's financial situation and business performance could be negatively affected.

(13) Increase in the price of raw materials

Some of the main raw materials that Kirin Group uses are liable to changes in price depending on market conditions. Based on increases in the price of raw materials, manufacturing costs may also rise, adversely impacting Kirin's financial position

(14) Changes in value of assets

Kirin's financial position and business performance could be adversely affected if the value of land, negotiable securities or other assets decreased significantly in value.

(15) Retirement liabilities

Liabilities and expenses for employees' retirement are calculated on an actuarial basis based on certain assumptions including discount rates and expected returns on pension assets. Actual outcomes could differ from these assumptions or these assumptions could change, adversely impacting Kirin's financial position and business performance.

5. Influence of seasonal factors

Sales of Kirin Group's core alcohol beverages and soft drinks are subject to significant change with the seasons, as demand peaks in summer. Sales in the first half of the year therefore tend to be lower than in the second half of the year.

6. Note concerning forecasts

The statements concerning future performance that are presented in this document are based on judgments using information available to Kirin and the Kirin Group as of June 30, 2005. 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 June 30, 2005		At June 30, 2004		Increase (Decrease)	At December 31, 2004	
		Amount	Percentage over total assets	Amount	Percentage over total assets	Amount	Amount	Percentage over total assets
Current Assets			%		%			%
Cash		103,846		110,589		(6,743)	183,501	
Notes and accounts receivable, trade (*2)		252,880		249,699		3,181	292,708	
Marketable securities (*2)		850		171		679	800	
Inventories		101,109		102,797		(1,688)	83,296	
Other		48,482		57,150		(8,668)	65,030	
Allowance for doubtful accounts		(3,264)		(3,014)		(250)	(4,489)	
Total Current Assets		503,907	29.0	517,392	29.5	(13,485)	620,848	34.0
Fixed Assets								
Property, plant and equipment (*1)								
Buildings and structures (*2,3)		190,425		200,337		(9,912)	190,537	
Machinery, equipment and vehicles (*2,3)		173,473		180,996		(7,523)	165,881	
Land (*2,5)		154,871		165,396		(10,525)	154,474	
Construction in progress		27,032		17,671		9,361	33,567	
Other		43,139		45,388		(2,249)	41,819	
Total		588,942	33.8	609,790	34.7	(20,848)	586,279	32.1
Intangible Assets								
Consolidation differences		38,758		41,899		(3,141)	40,275	
Other (*2)		92,540		104,937		(12,397)	94,669	
Total		131,299	7.5	146,837	8.4	(15,538)	134,945	7.4
Investments and Other Assets								
Investment securities (*2)		404,982		380,636		24,346	372,095	
Life insurance investments		36,154		35,763		391	36,491	
Other (*5)		78,892		70,960		7,932	77,065	
Allowance for doubtful accounts		(3,884)		(5,089)		1,205	(3,935)	
Total		516,143	29.7	482,270	27.4	33,873	481,716	26.5
Total Fixed Assets		1,236,385	71.0	1,238,898	70.5	(2,513)	1,202,941	66.0
TOTAL ASSETS		1,740,292	100.0	1,756,290	100.0	(15,998)	1,823,790	100.0

(¥ millions)

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY (Note)	At June 30, 2005		At June 30, 2004		Increase (Decrease) Amount	At December 31, 2004		
	Amount	Percentage over total assets	Amount	Percentage over total assets		Amount	Amount	Percentage over total assets
		%		%				%
Current Liabilities		%		%			%	
Notes and accounts payable, trade	107,189		109,252		(2,063)	111,418		
Short-term loans payable and long-term debt with current maturities (*2)	12,845		10,840		2,005	24,882		
Liquor taxes payable	71,641		76,342		(4,701)	117,066		
Income taxes payable	13,985		17,797		(3,812)	13,523		
Accrued expenses	74,444		67,699		6,745	78,656		
Deposits received	36,721		52,123		(15,402)	51,176		
Other	37,501		41,486		(3,985)	46,124		
Total Current Liabilities	354,329	20.4	375,543	21.4	(21,214)	442,847	24.3	
Long-term Liabilities								
Bonds	173,930		170,797		3,133	171,564		
Long-term debt (*2)	63,624		94,065		(30,441)	67,119		
Employees' pension and retirement benefits	72,357		81,389		(9,032)	73,227		
Other reserves	14,129		14,952		(823)	14,711		
Deposits received (*2)	72,064		74,997		(2,933)	73,374		
Other (*2,5)	47,798		35,560		12,238	43,471		
Total Long-term Liabilities	443,906	25.5	471,762	26.8	(27,856)	443,469	24.3	
TOTAL LIABILITIES	798,236	45.9	847,305	48.2	(49,069)	886,317	48.6	
MINORITY INTERESTS	75,449	4.3	76,882	4.4	(1,433)	78,857	4.3	
Common stock	102,045	5.9	102,045	5.8	—	102,045	5.6	
Capital surplus	70,992	4.1	70,956	4.0	36	70,984	3.9	
Retained earnings	697,285	40.1	659,149	37.5	38,136	687,905	37.7	
Land revaluation difference (*5)	(4,713)	(0.3)	(1,669)	(0.1)	(3,044)	(4,713)	(0.2)	
Net unrealized holding gains on securities	56,685	3.2	48,368	2.8	8,317	52,463	2.9	
Foreign currency translation adjustments	(31,004)	(1.8)	(32,449)	(1.8)	1,445	(35,614)	(2.0)	
Treasury stock, at cost	(24,685)	(1.4)	(14,298)	(0.8)	(10,387)	(14,456)	(0.8)	
TOTAL SHAREHOLDERS' EQUITY	866,606	49.8	832,102	47.4	34,504	858,615	47.1	
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	1,740,292	100.0	1,756,290	100.0	(15,998)	1,823,790	100.0	

CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

	(Note)	6 months ended June 30, 2005		6 months ended June 30, 2004		Increase (Decrease) Amount	Year ended December 31, 2004	
		Amount	Percentage over sales %	Amount	Percentage over sales %		Amount	Percentage over sales %
Sales		740,276	100.0	759,449	100.0	(19,173)	1,654,886	100.0
Cost of sales		438,665	59.3	460,484	60.6	(21,819)	1,008,049	60.9
Gross profit		301,611	40.7	298,965	39.4	2,646	646,836	39.1
Selling, general and administrative expenses	(*1)	264,082	35.7	254,094	33.5	9,988	537,444	32.5
Operating income		37,528	5.1	44,871	5.9	(7,343)	109,392	6.6
Non-operating income								
Interest income		324		363			750	
Dividend income		1,960		2,409			3,341	
Equity in earnings of affiliates		4,462		653			5,112	
Rental income		—		863			1,621	
Other		2,330		1,479			3,209	
Total		9,078	1.2	5,768	0.8	3,310	14,034	0.8
Non-operating expenses								
Interest expense		4,642		5,216			10,221	
Loss on sale and disposal of finished goods		1,462		—			1,326	
Other		1,482		3,002			5,315	
Total		7,588	1.0	8,219	1.1	(631)	16,864	1.0
Ordinary income		39,019	5.3	42,420	5.6	(3,401)	106,562	6.4
Special income								
Gain on sale of fixed assets	(*2)	274		796			1,766	
Reversal of allowance for doubtful accounts		1,473		1,196			331	
Gain on sale of investment securities		727		280			319	
Gain on release from the substitutional portion of the government's welfare pension insurance scheme		—		—			26,162	
Gain on sale of shares of subsidiaries and affiliates		8		—			8,333	
Total		2,483	0.3	2,273	0.3	210	36,913	2.2
Special expenses								
Loss on disposal of fixed assets	(*3)	1,359		3,185			5,743	
Loss on sale of fixed assets	(*4)	298		131			251	
Loss on impairment	(*6)	—		—			12,419	
Loss on devaluation of investment securities		—		—			1,150	
Loss on sale of investment securities		7		4			17	
Business restructuring expense	(*5)	463		—			912	
Loss on devaluation of fixed assets of foreign subsidiaries	(*7)	—		2,826			12,962	
Loss on sale of shares of subsidiaries and affiliates		159		—			—	
Total		2,287	0.3	6,146	0.8	(3,859)	33,458	2.0
Income before income taxes and minority interests		39,214	5.3	38,546	5.1	668	110,018	6.6
Income taxes		19,551	2.6	20,832	2.7	(1,281)	53,256	3.2
Minority interests		4,739	0.6	3,487	0.5	1,252	7,662	0.5
Net income		14,923	2.0	14,227	1.9	696	49,099	3.0

CONSOLIDATED STATEMENTS OF CAPITAL SURPLUS AND RETAINED EARNINGS

(¥ millions)

	6 months ended June 30, 2005	6 months ended June 30, 2004	Increase (Decrease)	Year ended December 31, 2004
Capital surplus				
Additional paid-in capital				
Balance at beginning of year	70,868	70,868	—	70,868
Increase in capital surplus				
Surplus from sale of treasury stock	123	87	36	116
Balance at end of period (year)	70,992	70,956	36	70,984
Retained earnings				
Retained earnings at beginning of year	687,905	651,078	36,827	651,078
Increase in retained earnings				
Net income	14,923	14,227		49,099
Foreign currency translation adjustments of foreign subsidiaries and affiliates	1,466	—		287
Total	16,390	14,227	2,163	49,387
Decrease in retained earnings				
Cash dividends paid	6,761	5,797		12,078
Bonuses paid to directors and corporate auditors (corporate auditors' portion included above)	248	245		251
	(15)	(27)		(14)
Decrease due to exclusion of subsidiaries from the consolidation scope	—	—		62
Decrease due to assets revaluation of foreign subsidiaries	—	—		72
Foreign currency translation adjustments of foreign subsidiaries and affiliates	—	18		—
Decrease due to decrease in number of companies in equity method	—	93		93
Reversal of land revaluation difference	—	0		0
Total	7,010	6,155	855	12,559
Balance at end of period (year)	697,285	659,149	38,136	687,905

CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ millions)

	(Note)	6 months ended June 30, 2005	6 months ended June 30, 2004	Increase (Decrease)	Year ended December 31, 2004
Cash flows from operating activities					
Income before income taxes and minority interests		39,214	38,546	668	110,018
Depreciation and amortization		34,898	37,184	(2,286)	74,059
Amortization of consolidation differences		1,956	1,625	331	3,299
Increase (decrease) in employees' pension and retirement benefits		(854)	(4,840)	3,986	13,174
Interest and dividend income		(2,285)	(2,772)	487	(4,091)
Equity in earnings of affiliates		(4,462)	(653)	(3,809)	(5,112)
Interest expense		4,642	5,216	(574)	10,221
Gain on sale of fixed assets		(274)	(796)	522	(1,766)
Gain on sale of marketable securities and investment securities		(727)	(280)	(447)	(319)
Loss on disposal and sale of fixed assets		1,657	3,316	(1,659)	5,995
Decrease (increase) in notes and accounts receivable, trade		38,737	38,904	(167)	(2,662)
Decrease (increase) in inventories		(16,729)	(10,894)	(5,835)	6,283
Increase (decrease) in notes and accounts payable, trade		(3,955)	(1,853)	(2,102)	3,964
Increase (decrease) in liquor taxes payable		(45,532)	(40,892)	(4,640)	(173)
Increase (decrease) in consumption taxes payable		(8,635)	—	(8,635)	—
Other		(14,526)	(13,838)	(688)	(33,844)
Sub-total		23,123	47,971	(24,848)	179,046
Interest and dividend received		4,018	3,985	33	6,284
Interest paid		(4,641)	(5,061)	420	(9,967)
Income taxes paid		(18,187)	(23,793)	5,606	(47,399)
Net cash provided by operating activities		4,313	23,102	(18,789)	127,963
Cash flows from investing activities					
Payment for purchases of property, plant and equipment and intangible assets		(29,469)	(34,575)	5,106	(69,020)
Proceeds from sale of property, plant and equipment		429	2,994	(2,565)	5,261
Payment for purchases of marketable securities and investment securities		(35,068)	(1,944)	(33,124)	(2,758)
Proceeds from sale and redemption of marketable securities and investment securities		16,001	2,635	13,366	18,170
Payment for acquisition of shares of newly consolidated subsidiaries		—	(960)	960	(963)
Proceeds from acquisition of shares of newly consolidated subsidiaries		—	356	(356)	356
Proceeds from sale of shares of subsidiaries excluded from the consolidation scope		7,511	—	7,511	810
Other		(2,984)	5,437	(8,421)	3,891
Net cash used in investing activities		(43,578)	(26,057)	(17,521)	(44,252)
Cash flows from financing activities					
Increase (decrease) in short-term loans payable		(3,567)	(7,928)	4,361	(6,824)
Proceeds from long-term debt		1,955	14,884	(12,929)	23,409
Repayment of long-term debt		(12,998)	(14,172)	1,174	(32,698)
Payment for purchase of treasury stock		(10,265)	(325)	(9,940)	(785)
Proceeds from sale of treasury stock		43	297	(254)	432
Cash dividends paid		(6,754)	(5,802)	(952)	(12,088)
Cash dividends paid to minority shareholders		(7,747)	(6,899)	(848)	(7,187)
Other		430	(8)	438	(159)
Net cash provided by (used in) financing activities		(38,902)	(19,955)	(18,947)	(35,901)
Effect of exchange rate fluctuation on cash and cash equivalents		575	(226)	801	(424)
Net increase (decrease) in cash and cash equivalents		(77,592)	(23,137)	(54,455)	47,385
Cash and cash equivalents at beginning of year		177,257	129,978	47,279	129,978
Net increase (decrease) in cash and cash equivalents from new consolidation/de-consolidation of subsidiaries		—	25	(25)	(105)
Cash and cash equivalents at end of period (year)	(*1)	99,664	106,866	(7,202)	177,257



SIGNIFICANT ACCOUNTING POLICIES

1. Scope of consolidation

(1) Consolidated subsidiaries: 275 companies

Major consolidated subsidiaries: KIRIN BEVERAGE CORPORATION, LION NATHAN LTD.

The following table shows changes in the consolidation scope for the six months ended June 30, 2005.

	Reason for the change	Companies	Major subsidiaries
Increase	New acquisition	1	Subsidiary of LION NATHAN LTD.
	New establishment	4	Subsidiaries of Kirin Agribio EC B.V. and others
Decrease	Completion of liquidation	3	Subsidiaries of LION NATHAN LTD.
	Sale of shares	2	Kirin Feed Limited and other
	Merger	1	Subsidiary of The Coca-Cola Bottling Company of Northern New England, Inc.

(2) Major unconsolidated subsidiaries: KIRIN AGRIBIO USA, INC.

Certain subsidiaries including KIRIN AGRIBIO USA, INC. are excluded from the consolidation scope because the effect of their sales, net income or losses, total assets and retained earnings on the accompanying consolidated financial statements are immaterial.

2. Application of equity method

(1) Unconsolidated subsidiaries accounted for by the equity method: None

(2) Affiliated companies accounted for by the equity method: 16 companies

Major affiliated companies: KINKI COCA-COLA BOTTLING CO., LTD., YONEKYU CORPORATION, SAN MIGUEL CORPORATION

The following table shows changes in the scope of application of the equity method for the six months ended June 30, 2005

	Reason for the change	Companies	Major subsidiaries and affiliates
Increase	New acquisition	1	Affiliate of Kirin (China) Investment Company, Limited

(3) Certain investments in unconsolidated subsidiaries including KIRIN AGRIBIO USA, INC., and affiliates including DIAMOND SPORTS CLUB CO., LTD. are not accounted for by the equity method, and were stated at cost because the effect of their net income or losses for the interim fiscal year and retained earnings on the consolidated financial statements are immaterial.

(4) Although the Company holds voting interests greater than 20% yet less than 50% in SOCIETE IMMOBILIERE ET FINANCIERE POUR L'ALIMENTATION, the Company does not have significant influence over this entity. Therefore, the investment is not accounted for by the equity method.

(5) Where interim accounting period-ends of the affiliated companies accounted for by the equity method are different from that of the Company, the Company mainly used their interim financial statements as of their interim accounting period-ends and for the first 6 months then ended for applying the equity method.

Where the difference between the Company's and affiliates' interim accounting period-ends is more than six months, the Company used their financial statements that were for the most recent accounting periods and necessary adjustments were made for applying the equity method.

3. Interim accounting period-ends of the consolidated subsidiaries

The following table shows the consolidated subsidiaries whose interim accounting period-ends are different from that of the Company.

Consolidated subsidiaries	Interim accounting period-end	
Lion Nathan Ltd. and its subsidiaries	March 31	(i)
Twyford International Inc. and its subsidiaries	March 31	(i)
Japan Potato Corporation	March 31	(i)
Kirin Well-Foods Corporation	May 31	(i)
Kirin Feed Limited	—	(ii)
Takeda-Kirin Foods Corporation	—	(iii)

(i) The Company used the interim financial statements of the consolidated subsidiaries as of their interim accounting period-ends and for the first six months then ended for consolidation. And the Company made necessary adjustments for major transactions between end of the first six months of the consolidated subsidiary and end of the first six months of the Company.

(ii) Due to the sale of shares, Kirin Feed Limited was excluded from the consolidated financial statements for the six months ended June 30, 2005.

(iii) As Takeda-Kirin Foods Corporation has changed its fiscal year-end from March 31 to December 31, its interim accounting period agreed with the consolidated interim accounting period for the six months ended June 30, 2005. For the six months ended June 30, 2004, Takeda-Kirin Foods Corporation made necessary adjustments to its financial statements.

4. Accounting policies

(1) Valuation of major assets

(a) Valuation of securities

- 1) Held-to-maturity debt securities are stated at amortized cost.
- 2) Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and 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.
- 3) Available-for-sale securities without fair market value are stated at the moving-average cost.

(b) Derivative financial instruments

Derivative financial instruments are stated at fair market value.

(c) Valuation of inventories

- 1) Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the periodic average method.
- 2) Raw materials, containers and supplies are mainly stated at cost determined by the moving-average method.
- 3) Construction in process is stated at cost determined by the specific identification method.

(2) Depreciation and amortization of fixed assets

(a) Depreciation of Property, plant and equipment

- 1) Depreciation for the Company and consolidated domestic subsidiaries is calculated using the declining-balance method except for buildings (excluding buildings fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method. Depreciation is calculated over the estimated useful lives in accordance with the Corporate Income Tax Law of Japan.
- 2) Depreciation for several consolidated subsidiaries is calculated using the straight-line method.
- 3) 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.

(b) Amortization of intangible assets

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

(3) Method of providing major allowances and reserves

(a) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide allowance for doubtful accounts 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.

(b) Employees' pension and retirement benefits

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

(Backgrounds for below-mentioned "Return of substitutional portion of Welfare Pension Insurance")

Employees of Japanese companies are compulsorily included in the Welfare Pension Insurance Scheme operated by the government. Employers are legally required to deduct employees' welfare pension insurance contributions from their payroll and to pay them to the government together with employers' own contributions. For companies that have established their own employees' pension fund that meets certain legal requirements, it is possible to transfer a part of their welfare pension insurance contributions (referred to as the "substitutional portion" of the government's Welfare Pension Insurance Scheme) to their own employees' pension fund under the government's permission and supervision.

(Return of substitutional portion of Welfare Pension Insurance for the year ended December 31, 2004)

Based on the enforcement of Defined Benefit Corporate Pension Law, Kirin Brewery Employees' Pension Fund, established by the Company, received the approval from the Minister of Health, Labour and Welfare on November 1, 2004 for an exemption from the obligation of paying benefits for employees' prior services relating to the substitutional portion of the Welfare Pension Insurance Scheme.

Accordingly, the Company reduced employees' pension and retirement benefit obligations relating to the substitutional portion to the amount that is expected to be transferred back to the government (minimum legal reserve), and the difference was recognized in the statements of income. Unrecognized prior service cost and unrecognized actuarial difference, which are relating to the substitutional portion, were recognized in the consolidated statements of income.

As a result, the Company recognized gain on release from the substitutional portion of the government's welfare pension insurance scheme as special income, in the amount of ¥26,162 million.

(4) 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 overseas subsidiaries mainly capitalize finance leases.

(5) Hedge accounting

(a) Method of hedge accounting

- 1) If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and consolidated subsidiaries defer recognition of gains and losses resulting from changes in fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.

- 2) If forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:
- (i) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
 - a) the difference, if any, between the amount in Japanese yen of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of Income in the period which includes the inception date, and
 - b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
 - (ii) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.
- 3) If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.
- 4) Interest rate swaps that hedge transactions between consolidated companies are stated at fair value and the changes in the fair value are recognized as income or loss for the current interim accounting period.

(b) Hedging instruments and Hedged items

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

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

(c) Hedging policy

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

(d) Assessment of hedging effectiveness

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

(6) Consumption taxes

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

5. 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 maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

6. CHANGE IN ACCOUNTING POLICIES

(1) Accounting method for real estate business

Until the year ended December 31, 2004, the Company recorded the net amount of rental income and expenses from real estate business as "Rental income" in non-operating income. Effective from the current interim accounting period, the Company changed its accounting method for such rental income and expenses under which rental income and expenses are recorded as sales and cost of sales, respectively except that the income from other than rental property business such as the partial rental of its own premises is recorded as usual.

This change was made in order to establish a better presentation of the Company's results of operations by reflecting real estate business more appropriately in its financial statements, considering the increasing importance of this real estate business along with the commencement of business of the commercial facilities developed by old factory site and its business stability expected in the medium and long terms as well.

The effect of this change was to increase sales and cost of sales by ¥2,326 million and ¥1,506 million, respectively, and to increase gross profit and operating income by ¥820 million, respectively, for the six months ended June 30, 2005 compared with what would have been recorded under the previous method. There is no effect on ordinary income and income before income taxes for the six months ended June 30, 2005.

The effect of this change on segment information is explained in Note "SEGMENT INFORMATION".

(2) Accounting standard for employees' pension and retirement benefits

Effective from the current interim accounting period, the Company adopted new accounting standard for employees' pension and retirement benefits and related guidance (Accounting Standards Board Statement No.3, "Partial Revision of Accounting Standard for Retirement Benefits" and Financial Accounting Standard Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits", issued by the Accounting Standards Board of Japan on March 16, 2005).

The effect on employees' pension and retirement benefits of the adoption of this new accounting standard is immaterial.

7.CHANGE IN PRESENTATION

(CONSOLIDATED STATEMENTS OF INCOME)

- (1) "Rental income" (¥121 million for the six months ended June 30, 2005), which was separately presented in "Non-operating income" for the six months ended June 30, 2004, is included in "Other" of "Non-operating income" for the six months ended June 30, 2005 because it became immaterial.
- (2) "Loss on sale and disposal of finished goods", the amount of which was ¥462 million for the six months ended June 30, 2004, is separately presented in "Non-operating expenses" for the six months ended June 30, 2005 to conform to the disclosure requirements.

(CONSOLIDATED STATEMENTS OF CASH FLOWS)

- (1) "Increase (decrease) in consumption taxes payable", the amount of which was (¥2,909) million and was included in "Other" of "Cash flows from operating activities" for the six months ended June 30, 2004, is separately presented in "Cash flows from operating activities" for the six months ended June 30, 2005 because it became material.

NOTES TO:

(CONSOLIDATED BALANCE SHEETS)

***1 Accumulated depreciation of property, plant and equipment** (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Accumulated depreciation	857,450	822,033	834,248

***2 Detail of collateral**

(1) Collateral (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Notes and accounts receivable, trade	20,840	14,656	14,272
Marketable securities	—	3	—
Buildings and structures	1,718	2,831	1,835
Machinery, equipment and vehicles	1,041	1,078	1,052
Land	728	2,866	750
Other intangible assets	79	110	101
Investment securities	—	3	—
Total	24,409	21,550	18,012

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

Buildings and structures	155	1,168	161
Land	46	2,174	46
Total	202	3,342	208

(2) Secured borrowing (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Short-term loans payable	200	1,262	200
Long-term debt (including current maturities of long-term debt)	13,722	12,509	13,194
Postage charge (facility limit)	0	3	0
Deposits received	3,408	3,408	3,408
Other long-term liabilities	—	285	—
Total	17,331	17,469	16,803

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

Short-term loans payable	200	1,100	200
--------------------------	-----	-------	-----

Note: Factory foundation collateral consists of the Headquarters factory of Nagano Tomato Corporation for the six months ended June 30, 2005 and for the year ended December 31, 2004.

Factory foundation collateral consists of the Headquarters factory and Matsumoto factory of Nagano Tomato Corporation for the six months ended June 30, 2004.

***3 Amount reduced from fixed-assets due to government subsidy received** (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Buildings and structures	129	36	129
Machinery, equipment and vehicles	299	250	250
Total	429	287	380

4 Contingent liabilities

(1) Guarantees for unconsolidated subsidiaries and affiliated companies (¥ millions, Foreign currency: thousands)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
The Bacardi Lion Joint Venture (in foreign currency)	1,243 (AUD 15,000)	797 (AUD 10,000)	796 (AUD 10,000)
Other (Number)	525 (5)	396 (2)	599 (5)
(Foreign currencies included in "Other")	18 (AUD 217)	—	11 (AUD 140)

(2) Guarantees for employees' housing loan from banks (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
	9,093	10,367	9,432

(3) Guarantees for customers (¥ millions, Foreign currency: thousands)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Southeastern Container, Inc. (in foreign currency)	1,228 (USD 11,102)	1,203 (USD 11,102)	1,156 (USD 11,102)
Other (Number)	1,038 (31)	1,089 (64)	1,081 (32)
Foreign currencies included in "Other" (in foreign currency)	872 (AUD10,525)	1,002 (AUD12,566)	1,002 (AUD12,592)
Total contingent liabilities	13,128	13,854	13,065
(Arrangements similar to guarantees included in the above)	(307)	(396)	(388)

*5 Revaluation of land

Kirin Beverage Corporation, a consolidated subsidiary, revalued land used for business on December 31, 2001 pursuant to the Law Concerning Land Revaluation (proclaimed on March 31, 1998) (the "Law") and related revision of the Law (effective March 31, 2001). Due to revaluation of land in assets, the revaluation difference of the portion attributable to the interests held by the Company was accounted for as "Land revaluation difference" in shareholders' equity for the six months ended June 30, 2005 and for the year ended December 31, 2004.

While, for the six months ended June 30, 2004, the revaluation difference, net of tax, was accounted for as "Land revaluation difference" in shareholders' equity, and tax portion was accounted for as deferred income taxes included in "Other" of Investments and Other Assets.

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

Effective from the year ended December 31, 2004, the Company adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003).

Following the application of the new accounting standard, the Company reviewed the business plan on the above mentioned land. As a result, the Company revised the amount of "Land revaluation difference" and related deferred tax assets or liability.

6 Discounted amount of notes receivable

(¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Trade notes discounted	25	37	13

(CONSOLIDATED STATEMENTS OF INCOME)

***1 Major elements of selling, general and administrative expenses** (¥ millions)

	6 months ended June 30, 2005	6 months ended June 30, 2004	Year ended December 31, 2004
Sales promotion	75,674	68,423	158,869
Freight	24,258	23,577	50,222
Advertising	37,379	34,581	63,177
Employees' pension and retirement benefit expenses	4,446	5,787	11,260
Salaries and wages of employees	42,901	44,226	89,403
Research and development expenses	13,547	11,857	28,182
Depreciation	11,553	12,112	24,860

***2 Gain on sale of fixed assets** (¥ millions)

	6 months ended June 30, 2005	6 months ended June 30, 2004	Year ended December 31, 2004
Buildings and structures	21	30	—
Land	198	744	1,605
Other	53	21	161
Total	274	796	1,766

***3 Loss on disposal of fixed assets** (¥ millions)

	6 months ended June 30, 2005	6 months ended June 30, 2004	Year ended December 31, 2004
Buildings and structures	827	1,902	3,168
Machinery, equipment and vehicles	379	1,094	2,163
Other	152	188	412
Total	1,359	3,185	5,743

***4 Loss on sale of fixed assets** (¥ millions)

	6 months ended June 30, 2005	6 months ended June 30, 2004	Year ended December 31, 2004
Buildings and structures	28	17	44
Machinery, equipment and vehicles	267	46	127
Land	—	—	73
Other	1	66	5
Total	298	131	251

***5 Business restructuring expense**

6 Months ended June 30, 2005	6 Months ended June 30, 2004	Year ended December 31, 2004
Business restructuring expense represents premium on retirement benefits resulting from early retirement at 1 consolidated subsidiary.	—	Business restructuring expense represents premium on retirement benefits resulting from early retirement at 2 consolidated subsidiaries.

*6 Loss on impairment

During the fiscal year ended December 31, 2004, the Company and consolidated domestic subsidiaries recognized loss on impairment on following group of assets.

Use	Location	Type of assets
Asset for rent	Shibuya-ku, Tokyo and 2 others	Land, buildings and structures, and other
Idle properties	Shioya-gun, Tochigi and 6 others	Land, buildings and structures, and other
Assets used for business (Restaurant business)	Minato-ku, Tokyo and 15 others	Buildings and structures, and other
Assets used for business (Operation of commercial facility)	Yokohama, Kanagawa	Buildings and structures, and other

The Company and consolidated domestic subsidiaries classified fixed assets into groups by the type of respective business (alcohol beverages, soft drinks, pharmaceuticals, and others), which are the units making investment decisions.

For fixed assets in the real estate business included in others, the restaurant business and idle properties, each property or each store is considered to constitute a group. Headquarters and welfare facilities were classified as corporate assets because they do not generate cash flows independent of other assets or group of assets.

Carrying amounts of certain assets for rent in the real estate business and idle properties were devalued to their recoverable amounts, owing to substantial decline in the fair market value and the sluggish rent market. Carrying amounts of certain assets used for business were not recovered by estimated future cash flows, and their carrying amounts were devalued to their recoverable amounts.

As a result, the Company recognized loss on impairment in the amount of ¥12,419 million, which consisted of land ¥10,059 million, buildings and structures ¥2,087 million and other ¥272 million, as special expenses for the year ended December 31, 2004.

Recoverable amount of each group of assets is the higher amount of net selling price (fair value less costs to sell) or value in use. The Company mainly used appraisal value prepared by real estate appraisers for calculating net selling price, and value in use was calculated by discounting future cash flows at interest rate of 5.0 %.

(Change in accounting standard for Impairment of Fixed Assets)

Effective from the year ended December 31, 2004, the Company adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003) with early adoption permitted from the year ended March 31, 2004 or thereafter.

As a result, income before income taxes and minority interests decreased by ¥12,419 million, compared with what would have been reported if the new accounting standard had not been adopted early.

Accumulated loss from impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

*7 Loss on devaluation of fixed assets of foreign subsidiaries

6 Months ended June 30, 2005	6 Months ended June 30, 2004	Year ended December 31, 2004
—	Loss on devaluation of fixed assets of foreign subsidiaries represents devaluation of goodwill and property, plant and equipment (buildings and structures, etc.) of certain business to be sold by a foreign subsidiary (Lion Nathan Ltd.).	Loss on devaluation of fixed assets of foreign subsidiaries represents devaluation of goodwill of wine and beer business and property, plant and equipment (Machinery, equipment and vehicles) at consolidated overseas subsidiary (Lion Nathan Ltd.).

8 Presentation of Income taxes

The Company adopted simplified accounting method for income tax effect accounting in the consolidated interim financial statements. Accordingly, deferred income taxes are not presented separately and are included in Income taxes in interim consolidated statements of income.

(CONSOLIDATED STATEMENTS OF CASH FLOWS)

***1. Reconciliation of cash**

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

	(¥ millions)		
	At June 30, 2005	At June 30, 2004	At December 31, 2004
Cash	103,846	110,589	183,501
Marketable securities	850	171	800
Fixed term deposit over exceeding 3 months	(4,048)	(3,722)	(3,538)
Equity securities and bonds, etc with maturities exceeding 3 months	(849)	(171)	(800)
Short-term loans payable (bank overdrafts)	(134)	-	(2,706)
Cash and cash equivalents	99,664	106,866	177,257

(LEASE TRANSACTIONS)

1. Lessee lease – Finance lease

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

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

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Machinery, equipment and vehicles			
Purchase price equivalents	2,467	2,186	2,414
Accumulated depreciation equivalents	1,342	1,024	1,183
Book value equivalents	1,125	1,161	1,230
Other property, plant and equipment (tools and equipment)			
Purchase price equivalents	1,326	2,537	1,504
Accumulated depreciation equivalents	715	1,570	740
Book value equivalents	610	966	764
Total			
Purchase price equivalents	3,793	4,723	3,919
Accumulated depreciation equivalents	2,057	2,595	1,924
Book value equivalents	1,735	2,127	1,994

(2) Lease commitments (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Due within one year	664	926	731
Due over one year	1,102	1,288	1,293
Total	1,767	2,214	2,024

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

	6 months ended June 30, 2005	6 months ended June 30, 2004	Year ended December 31, 2004
Lease expenses	466	557	1,039
Depreciation equivalents	389	490	815
Interest expense equivalents	24	30	52

(4) Calculation method of depreciation equivalents

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

(5) Allocation of interest expense equivalents

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

2. Lessee lease - Operating lease

The company and consolidated subsidiaries have lease commitments under non-cancelable operating leases as follows. (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Due within one year	2,032	2,171	2,118
Due over one year	5,018	8,136	5,781
Total	7,051	10,307	7,899

3. Lessor lease – Finance lease

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

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

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Other property, plant and equipment, (leased assets)			
Purchase price	12,681	14,413	13,410
Accumulated depreciation	8,140	8,733	8,589
Book value	4,540	5,680	4,820
Other intangible assets (leased assets)			
Purchase price	—	—	—
Accumulated depreciation	—	—	—
Book value	735	765	730
Total			
Purchase price	12,681	14,413	13,410
Accumulated depreciation	8,140	8,733	8,589
Book value	5,276	6,445	5,551

(2) Lease commitments (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Due within one year	1,604	2,355	1,747
Due over one year	3,773	5,566	3,934
Total	5,378	7,922	5,681

(3) Lease revenue, depreciation and interest income equivalents (¥ millions)

	6 months ended June 30, 2005	6 months ended June 30, 2004	Year ended December 31, 2004
Lease revenue	1,147	1,351	2,645
Depreciation	984	1,188	2,275
Interest income equivalents	129	156	299

(4) Allocation of interest income equivalents

Interest income equivalents are allocated using the interest method over the lease terms.

(SECURITIES)

At June 30, 2005

1. Held-to-maturity debt securities with fair market value (¥ millions)

	Book value	Fair market value	Difference
(1)Governmental/municipal bonds	1,479	1,485	6
(2)Corporate bonds	200	202	2
Total	1,679	1,687	8

2. Available-for-sale securities with fair market value (¥ millions)

	Acquisition cost	Book value	Difference
(1)Equity securities	143,837	238,919	95,081
(2)Bonds			
Governmental/municipal bonds	—	—	—
Corporate bonds	—	—	—
(3)Other	—	—	—
Total	143,837	238,919	95,081

3. Book value of major securities not measured at fair market value

Available-for-sale securities

Unlisted securities

¥10,610 million

4. Impairment loss on investment securities

Impairment losses of ¥ 60 million were recognized in the consolidated statements of income for available-for-sale securities for the six months ended June 30, 2005. Where the fair market value of available-for-sale securities has declined by more than 30% from their acquisition costs, the value of those securities are considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, unless the value is considered recoverable. For available-for-sale securities without available fair market value, when the substantive value of those securities has declined by more than 50% from their acquisition costs, the value of those securities is considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, except for the cases where the recoverability of the value of those securities in the future is supported by reasonable grounds.

At June 30, 2004

1. Held-to-maturity debt securities with fair market value (¥ millions)

	Book value	Fair market value	Difference
(1) Governmental/municipal bonds	1,488	1,495	7
(2) Corporate bonds	219	232	12
Total	1,708	1,727	19

2. Available-for-sale securities with available fair market value (¥ millions)

	Acquisition cost	Book value	Difference
(1) Equity securities	140,294	221,528	81,233
(2) Bonds			
Governmental/municipal bonds	49	51	1
Corporate bonds	5	5	—
(3) Other	75	75	—
Total	140,425	221,659	81,234

3. Book value of major securities not measured at fair market value

Available for sale securities

Unlisted securities

¥40,578 million

4. Impairment loss on investment securities

Impairment losses of ¥ 84 million were recognized in the consolidated statements of income for available-for-sale securities for the six months ended June 30, 2004. Where the fair market value of available-for-sale securities has declined by more than 30% from their acquisition costs, the value of those securities are considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, unless the value is considered recoverable. For available-for-sale securities without available fair market value, when the substantive value of those securities has declined by more than 50% from their acquisition costs, the value of those securities is considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, except for the cases where the recoverability of the value of those securities in the future is supported by reasonable grounds.

At December 31, 2004

1. Held-to-maturity debt securities with fair market value (¥ millions)

	Book value	Fair market value	Difference
(1)Governmental/municipal bonds	1,418	1,427	8
(2)Corporate bonds	200	202	2
Total	1,618	1,629	10

2. Available-for-sale securities with fair market value (¥ millions)

	Acquisition cost	Book value	Difference
(1)Equity securities	139,013	227,086	88,073
(2)Bonds			
Governmental/municipal bonds	—	—	—
Corporate bonds	—	—	—
(3)Other	—	—	—
Total	139,013	227,086	88,073

3. Book value of major securities not measured at fair market value

Available-for-sale securities

Unlisted securities

¥26,196 million

4. Impairment loss on investment securities

Impairment losses of ¥1,150million were recognized in the consolidated statements of income as "Loss on devaluation of investment", for available-for-sale securities for the year ended December 31, 2004. Where the fair market value of available-for-sale securities has declined by more than 30% from their acquisition costs, the value of those securities are considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, unless the value is considered recoverable. For available-for-sale securities without available fair market value, when the substantive value of those securities has declined by more than 50% from their acquisition costs, the value of those securities is considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, except for the cases where the recoverability of the value of those securities in the future is supported by reasonable grounds.

(DERIVATIVE TRANSACTIONS)

For the 6 months ended June 30, 2005

Interest-related transactions

						(¥ millions)
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)	
Non-market transactions	Interest rate swap Receive fixed, pay floating	3,318	3,318	(50)	(50)	
Total		3,318	3,318	(50)	(50)	

- (i) Fair value of swaps is based on the prices obtained from the financial institutions.
- (ii) Derivative transactions utilized by the Company and consolidated subsidiaries other than above are applied by hedge accounting, and are not included in the above.

For the 6 months ended June 30, 2004

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

For the year ended December 31, 2004

Interest-related transactions

						(¥ millions)
Classification	Type of transaction	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain (loss)	
Non-market transactions	Interest rate swap Receive fixed, pay floating	3,126	3,126	(17)	(17)	
Total		3,126	3,126	(17)	(17)	

- (i) Fair value of swaps is based on the prices obtained from the financial institutions.
- (ii) Derivative transactions utilized by the Company and consolidated subsidiaries other than above are applied by hedge accounting, and are not included in the above.

(SEGMENT INFORMATION)

1. Business segment information

(¥ millions)

6 months ended June 30, 2005							
	Alcohol Beverages	Soft Drinks	Pharmaceuticals	Others	Total	Eliminations or Corporate	Consolidated
Sales							
Unaffiliated customers	459,025	170,287	30,500	80,463	740,276	—	740,276
Inter-segment	1,104	66	—	49,002	50,173	(50,173)	—
Total sales	460,129	170,353	30,500	129,466	790,449	(50,173)	740,276
Operating expenses	435,175	165,233	24,755	127,327	752,491	(49,743)	702,747
Operating income	24,954	5,120	5,744	2,138	37,958	(429)	37,528

(¥ millions)

6 months ended June 30, 2004							
	Alcohol Beverages	Soft Drinks	Pharmaceuticals	Others	Total	Eliminations or Corporate	Consolidated
Sales							
Unaffiliated customers	481,268	170,263	28,970	78,946	759,449	—	759,449
Inter-segment	1,293	306	—	44,672	46,273	(46,273)	—
Total sales	482,562	170,570	28,970	123,619	805,722	(46,273)	759,449
Operating expenses	453,837	163,621	22,850	119,685	759,994	(45,416)	714,578
Operating income	28,725	6,948	6,120	3,933	45,727	(856)	44,871

(¥ millions)

Year ended December 31, 2004							
	Alcohol Beverages	Soft Drinks	Pharmaceuticals	Others	Total	Eliminations or Corporate	Consolidated
Sales							
Unaffiliated customers	1,053,291	372,392	62,702	166,500	1,654,886	—	1,654,886
Inter-segment	2,421	139	—	102,667	105,229	(105,229)	—
Total sales	1,055,713	372,532	62,702	269,168	1,760,115	(105,229)	1,654,886
Operating expenses	985,992	349,780	50,559	261,301	1,647,634	(102,140)	1,545,494
Operating income	69,721	22,751	12,142	7,866	112,481	(3,089)	109,392

Type and nature of products are considered in classification of business segments. Main products by each segment are as follows;

Business segment	Main products
Alcohol Beverages	Beer, Sparkling malt liquor (<i>Happo-shu</i>), New genre, whisky, spirits, wine, etc.
Soft drinks	Soft drinks and other drinks
Pharmaceuticals	Pharmaceutical products
Others	Engineering, logistics, floriculture etc.

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

6 months ended June 30, 2005	¥ 934million, mainly consists of costs for research and development of basic technologies at the Company.
6 months ended June 30, 2004	¥ 1,536million, mainly consists of costs for new business development and costs for research and development of basic technologies at the Company.
Year ended December 31, 2004	¥ 4,050million, mainly consists of costs for new business development and costs for research and development of basic technologies at the Company.

As discussed in "CHANGE IN ACCOUNTING POLICIES", effective from the current interim accounting period, the Company changed its accounting method to record rental income and expenses as sales and cost of sales, respectively.

In accordance with this change, the Company reclassifies costs for new business development (355million is recorded for the current interim accounting period) which was included in "Eliminations or Corporate" into "Others" segment as the operating expenses of real estate business.

The effect of this change in method of accounting was to increase sales, operating expenses and operating income of the "Others" segment by 2,810 million, 2,290 million and 520 million, respectively for the six months ended June 30, 2005 compared with what would have been recorded under the previous method. The effect on other segments of this change is immaterial.

2. Geographical segment information

(¥ millions)

6 months ended June 30, 2005						
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
Sales						
Unaffiliated customers	629,321	81,841	29,113	740,276	—	740,276
Inter-segment	1,104	445	1,101	2,652	(2,652)	—
Total sales	630,426	82,287	30,215	742,929	(2,652)	740,276
Operating expenses	609,220	67,551	27,765	704,537	(1,789)	702,747
Operating income	21,206	14,736	2,449	38,392	(863)	37,528

(¥ millions)

6 months ended June 30, 2004						
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
Sales						
Unaffiliated customers	648,008	81,333	30,108	759,449	—	759,449
Inter-segment	950	557	677	2,184	(2,184)	—
Total sales	648,958	81,890	30,785	761,634	(2,184)	759,449
Operating expenses	619,193	67,985	28,112	715,291	(712)	714,578
Operating income	29,765	13,904	2,672	46,343	(1,471)	44,871

(¥ millions)

Year ended December 31, 2004						
	Japan	Asia / Oceania	Others	Total	Eliminations or Corporate	Consolidated
Sales						
Unaffiliated customers	1,442,288	156,814	55,783	1,654,886	—	1,654,886
Inter-segment	2,052	1,222	1,647	4,922	(4,922)	—
Total sales	1,444,340	158,037	57,431	1,659,809	(4,922)	1,654,886
Operating expenses	1,358,675	134,261	53,555	1,546,491	(997)	1,545,494
Operating income	85,665	23,775	3,876	113,317	(3,925)	109,392

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

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

Amounts and major items included in "Eliminations or Corporate" are the same as those described in 1. Business segment information.

As discussed in "CHANGE IN ACCOUNTING POLICIES", effective from the current interim accounting period, the Company changed its accounting method to record rental income and expenses as sales and cost of sales, respectively. In accordance with this change, the Company reclassifies costs for new business development (355million is recorded for the current interim accounting period) which was included in "Eliminations or Corporate" into "Japan" segment as the operating expenses of real estate business.

The effect of this change in method of accounting was to increase sales, operating expenses and operating income of the "Japan" segment by 2,326 million, 1,861 million and 464 million, respectively for the six months ended June 30, 2005 compared with what would have been recorded under the previous method.

3. Overseas sales

(¥ millions)			
6 months ended June 30, 2005			
	Asia, Oceania	Others	Total
Overseas sales	83,635	30,040	113,676
Consolidated sales	—	—	740,276
Percentage of overseas sales over consolidated sales(%)	11.3	4.1	15.4

(¥ millions)			
6 months ended June 30, 2004			
	Asia, Oceania	Others	Total
Overseas sales	83,472	30,728	114,201
Consolidated sales	—	—	759,449
Percentage of overseas sales over consolidated sales(%)	10.99	4.05	15.04

(¥ millions)			
Year ended December 31, 2004			
	Asia, Oceania	Others	Total
Overseas sales	160,999	57,687	218,687
Consolidated sales	—	—	1,654,886
Percentage of overseas sales over consolidated sales(%)	9.7	3.5	13.2

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

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

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

(PRODUCTION, ORDERS RECEIVED AND SALES)

1. PRODUCTION PERFORMANCE

Production performance for the six months ended June 30, 2005 classified by the type of business segment was as follows:

Business segment	Amount (¥ million)	Percentage change (%)
Alcohol beverages	447,657	(2.7)
Soft drinks	64,841	(2.9)
Pharmaceuticals	32,478	12.4
Others	33,441	10.3
Total	578,419	(1.3)

(Note) The amounts are calculated based on sales price without consumption taxes.

2. ORDERS RECEIVED

Orders received for the six months ended June 30, 2005 classified by the type of business segment was as follows.

The Company and subsidiaries manufacture their products based on their projection for market demand except for contract manufacture in "Alcohol beverages" and "Soft drinks" segments and inspection machines and others in "Other" segment.

Business segment	Orders received		Backlog	
	Amount (¥ million)	Percentage change (%)	Amount (¥ million)	Percentage change (%)
Alcohol beverages	330	44.3	—	—
Soft drinks	716	14.0	—	—
Pharmaceuticals	—	—	—	—
Others	8,455	113.2	1,069	(2.0)
Total	9,503	97.0	1,069	(2.0)

(Note) The amounts are calculated based on sales price without consumption taxes.

3. SALES PERFORMANCE

Sales performance for the six months ended June 30, 2005 classified by the type of business segment was as follows:

Business segment	Amount (¥ million)	Percentage change (%)
Alcohol beverages	459,025	(4.6)
Soft drinks	170,287	0.0
Pharmaceuticals	30,500	5.3
Others	80,463	1.9
Total	740,276	(2.5)

(Note) The consumption taxes are not included in the above amounts.

(Per share information)

6 Months ended June 30, 2005	6 Months ended June 30, 2004	Year ended December 31, 2004
Shareholders' equity per share: ¥ 905.86	Shareholders' equity per share: ¥ 861.34	Shareholders' equity per share: ¥ 888.65
Net income per share (Primary): ¥ 15.55	Net income per share (Primary): ¥ 14.73	Net income per share (Primary): ¥ 50.58
Net income per share (Diluted) was not presented because there was no dilutive potential common stock outstanding.	Net income per share (Diluted) was not presented because there was no dilutive potential common stock outstanding.	Net income per share (Diluted) was not presented because there was no dilutive potential common stock outstanding.

Note: The basis for calculation of Net income per share was as follows.

	6 months ended June 30, 2005	6 months ended June 30, 2004	Year ended December 31, 2004
Net income (¥ millions)	14,923	14,227	49,099
Amount not attributable to common stock (¥ millions)	—	—	242
(Bonuses paid to directors by appropriation of unappropriated retained earnings included in the above)	—	—	(242)
Net income attributable to common stock (¥ millions)	14,923	14,227	48,856
Average number of common stock outstanding during the period (thousands of shares)	959,755	966,033	965,997

(Subsequent events)

6 Months ended June 30, 2005	6 Months ended June 30, 2004	Year ended December 31, 2004
—	<p>(Sale of shares of subsidiaries by foreign consolidated subsidiary)</p> <p>On September 15, 2004, Lion Nathan LTD, consolidated foreign subsidiary, has entered into an unconditional agreement to sell whole shares of Lion Nathan Investments (Suzhou) Ltd. to China Resources Breweries Limited for USD 154 million (¥16,889 million) at September 30, 2004.</p> <p>The sales price represents a premium to the book value of Lion Nathan Investments (Suzhou) Ltd. of around A\$120 million (¥9,236 million). And the amount of difference between this premium and the related expenses will be recognized as the gain on sales of shares of subsidiaries for the year ended December 31, 2004.</p> <p>The yen amounts are exchanged by the rate as of September 15, 2004.</p>	<p>(Acquisition of treasury stocks)</p> <p>On March 7, 2005, the Board of Directors of the Company made a resolution to purchase treasury stocks from the market in accordance with Article 211-3, Paragraph 1, Item 2 of the Commercial Code of Japan and the Company's Articles of Incorporation, to actively implement measures of management including finance policies, in response to changing business environment. And the Company purchased 9,000,000 shares of treasury stocks through a tender offer on March 8, 2005 in the aggregate acquisition costs of ¥9,945 million.</p>

Supplementary Documents

to the Consolidated Financial Statements

**as of and for six-month period ended
June 30, 2005**

Contents

1. Results of Operations
2. Scope of Consolidation and Application of Equity Method
3. Sales Details
4. Profit Breakdown for the 1st 6-month period(Actual)
5. Profit Breakdown for the current fiscal year(Forecast)
6. Major Expenses and Others
7. Major Fluctuations of Assets and Liabilities
8. Analysis of Operating income by Business Segment
9. Results of Operations by Major Companies

KIRIN BREWERY COMPANY, LIMITED

August 10, 2005

Consolidated

1. Results of Operations

(¥ billions)

	2005		2004	
	The 1st half Actual	Annual Forecast	The 1st half Actual	Annual Actual
Sales	746.2	1,650.0	738.2	1,654.8
Operating income	27.5	110.0	24.6	109.3
Ordinary income	29.0	109.0	29.4	106.5
Net income	15.9	50.0	12.2	49.0

2. Scope of Consolidation and Application of Equity method

(Number of companies)

	2005		2004	
	The 1st half Actual	Annual Forecast	The 1st half Actual	Annual Actual
Consolidated subsidiaries	275	277	276	276
Unconsolidated subsidiary under equity method	0	0	0	0
Affiliated companies under equity method	16	16	15	15

3. Sales Details

(¥ billions)

	2005				2004			
	The 1st half Actual		Annual Forecast		The 1st half Actual		Annual Actual	
Sales volume								
Alcohol beverages	thousand KL	Increase (Decrease)	thousand KL	Increase (Decrease)	thousand KL	Increase (Decrease)	thousand KL	Increase (Decrease)
Beer, Hoppo-shu and New genre	3,432	(2.6%)	3,454	1.0%	3,421	(2.5%)	3,421	(0.3%)
Soft drinks	Million cases	Increase (Decrease)	Million cases	Increase (Decrease)	Million cases	Increase (Decrease)	Million cases	Increase (Decrease)
	224	2.6%	224	2.5%	218	3.9%	218	3.4%
Sales by business segments								
Total sales	746.2	(4.5%)	1,650.0	(0.3%)	738.2	(3.6%)	1,654.8	3.6%
Alcohol beverages	459.1	(1.8%)	1,033.5	(1.9%)	447.2	(0.9%)	1,053.2	0.8%
Beer, Hoppo-shu and New genre	303.2	(5.2%)	910.7	(2.8%)	323.5	(0.1%)	937.1	0.1%
Other alcohol beverages	155.9	(2.0%)	122.8	5.8%	123.7	(1.5%)	116.1	6.5%
Soft drinks	277.1	0.0%	379.3	1.9%	291.0	(3.7%)	372.3	3.6%
Pharmaceuticals	30.5	(5.3%)	66.0	5.3%	28.9	(2.8%)	62.7	9.0%
Other business	30.4	(1.5%)	171.2	2.8%	38.6	(16.7%)	166.5	23.4%
Agribio	16.8	(1.0%)	23.4	1.5%	14.3	(23.2%)	23.0	(3.7%)
Nutrient Food & Feed	15.2	(14.0%)	33.0	(23.1%)	17.9	(0.5%)	42.9	17.5%
Other	51.3	(0.2%)	114.8	14.2%	45.6	(30.5%)	100.5	35.0%

Consolidated

4. Profit Breakdown for the 1st 6-month period (Actual)

(¥ billions)

Item	2005 The 1st half Actual	2004 The 1st half Actual	Increase (Decrease)	Reference
Sales	74072	75976	(1902)	
Decrease in Operating income of other subsidiaries			(1.1)	Kirin Well-Foods (0.6), Takeda-Kirin Foods (0.5), Kirin Logistics (0.4), Lion Nathan 0.6, etc.
Decrease in Operating income of Kirin Beverage			(1.5)	5.6→4.1
Decrease in Operating income of Parent Company			(4.7)	18.2→13.5
Decrease in Operating Income	376	428	(76)	
Increase in net of equity in earnings of affiliates			3.8	Kirin-Amgen 3.1, etc.
Increase in net of Non-operating income and expenses of other subsidiaries			0.3	Lion Nathan 0.7, etc.
Increase in net of Non-operating income and expenses of Kirin Beverage			0.2	
Decrease in net of Non-operating income and expenses of Parent Company			(0.4)	
Decrease in Ordinary Income	3210	3276	(66)	
Increase in net of Special income, expenses and income taxes of Parent Company			3.0	Decrease in Income taxes 1.2 Increase in Special income, net of Special expenses 1.8
Increase in net of Special income, expenses and Income taxes of other subsidiaries			2.2	Lion Nathan 2.3, etc.
Increase in net of Special income, expenses and Income taxes of Kirin Beverage			0.2	
Increase in Minority Interests			(1.3)	(3.4)→(4.7)
Increase in Net Income	119	117	0.7	

Consolidated

5. Profit Breakdown for the current fiscal year (Forecast)

(¥ billions)

Item	2005 Forecast	2004 Actual	Increase (Decrease)	Reference
Sales	1,057.0	(627.0)	(7.1)	
Increase in Operating income of Parent Company			1.1	52.9→54.0
Increase in Operating income of Kirin Beverage			0.1	19.6→19.7
Decrease in Operating income of other subsidiaries			(0.5)	Takeda-Kirin Foods (0.7), Kirin Logistics (0.7), Lion Nathan 0.8, etc.
Increase in Operating income	100.0	109.5	0.7	
Increase in net of equity in earnings of affiliates			1.2	Kinki Coca-Cola Bottling 0.3, etc.
Increase in net of Non-operating income and expenses of Kirin Beverage			0.7	
Increase in net of Non-operating income and expenses of other subsidiaries			0.7	
Decrease in net of Non-operating income and expenses of Parent Company			(0.8)	
Increase in Ordinary income	108.9	106.5	2.4	
Increase in net of Special income, expenses and Income taxes of Parent Company			2.3	Decrease in Income taxes 12.9 Decrease in Special income, net of Special expenses (10.6)
Decrease in Minority Interests			0.2	(7.6)→(7.4)
Decrease in net of Special income, expenses and Income taxes of Kirin Beverage			(0.7)	
Decrease in net of Special income, expenses and Income taxes of other subsidiaries			(3.3)	Elimination of investment devaluation in consolidation, net of taxes (1.6), Lion Nathan (0.3), etc.
Increase in Net Income	50.0	29.0	21.0	

Note: As for Lion Nathan Ltd. and San Miguel Corporation, the Company used their 2004 results (annual) in local currency for 2005 forecast since they do not disclose their forecast.

Consolidated

6. Major Expenses and Others

(¥ billions)

	2005		2004	
	The 1st half Actual	Forecast	The 1st half Actual	Actual
Sales promotion	79.6	235.0	65.4	158.8
Advertising	97.8		63.1	
Research and development expenses	18.5	29.5	11.8	28.2
Depreciation	34.8	72.0	37.1	74.0
Financial profit, net	(2.3)	(5.0)	(2.4)	(6.1)
Capital expenditures	49.4	81.0	69.5	69.0
Cash flows	(77.5)	(21.0)	(28.4)	47.3
Operating activities	4.8	103.0	26.4	127.9
Investing activities	(43.5)	(84.0)	(28.8)	(44.2)
Financing activities	(31.9)	(40.0)	(19.9)	(35.9)

Consolidated

7. Major Fluctuations of Assets and Liabilities

(¥ billions)

	2005 The 1st half Actual	2004 The 1st half Actual	Increase (Decrease)	Reference
ASSETS				
Fixed Assets				
Property, plant and equipment				
Land	154.0	165.3	(11.3)	Decrease due to the adoption of the new accounting standard for the impairment fixed assets, etc.
Intangible Assets				
Other *1	92.5	104.9	(12.4)	Decrease at Lion Nathan, etc.
Investment and Other Assets				
Investment securities	404.5	380.6	23.9	Increase in shares of subsidiaries and affiliates at Parent company, etc.

LIABILITIES				
Current Liabilities				
Deposits received	36.7	52.1	(15.4)	Decrease due to the sales termination of gift coupon at Parent Company, etc.
Long-term Liabilities				
Long-term debt	89.6	94.0	(4.4)	Decrease at Lion Nathan, etc.
Employees' pension and retirement benefits	72.1	81.3	(9.2)	Decrease due to the release from the substitutional portion of the government's welfare pension insurance scheme at Parent Company, etc.
Other	37.7	35.5	2.2	Increase in deferred tax liabilities due to increase in unrealized holding gains on securities along with the improvement in stock price at Parent company and others, etc.

SHAREHOLDERS' EQUITY				
Net unrealized holding gains on securities	56.6	48.3	8.3	Increase in unrealized holding gains on securities along with the improvement in stock price at Parent company, etc.

*1 Decrease mainly in goodwill

Consolidated

8. Analysis of Operating Income by Business Segment

Fluctuation between the 1st half of 2005 Actual and the 1st half of 2004 Actual

(¥ billions)

	Alcohol beverages	Soft drinks	Pharmaceuticals	Others	Eliminations or Corporate	Total
Operating income						
– The 1st half of 2004 Actual	28.7	6.9	6.1	3.9	(0.8)	44.8
Increase (Decrease) in Gross Profit	(0.3)	(0.2)	2.1	0.7	0.3	2.6
Decrease (Increase) in Selling, general and administrative expenses	(3.5)	(1.6)	(2.5)	(2.5)	0.2	(9.9)
Increase (Decrease) in Operating income	(3.8)	(1.8)	(0.4)	(1.8)	0.5	(7.3)
Operating income						
–The 1st half of 2005 Actual	24.9	5.1	5.7	2.1	(0.3)	37.5

Fluctuation between 2005 Forecast and 2004 Actual

(¥ billions)

	Alcohol beverages	Soft drinks	Pharmaceuticals	Others	Eliminations or Corporate	Total
Operating income – 2004 Actual	69.7	22.7	12.1	7.8	(3.0)	109.3
Increase (Decrease) in Gross Profit	8.5	2.5	4.9	0.1	-	16.0
Decrease (Increase) in Selling, general and administrative expenses	(7.5)	(2.9)	(4.9)	(2.2)	2.2	(15.3)
Increase (Decrease) in Operating income	1.0	(0.4)	0.0	(2.1)	2.2	0.7
Operating income – 2005 Forecast	70.7	22.3	12.1	5.7	(0.8)	110.0

Consolidated

9. Results of Operations by Major Companies

2005 The 1st half Actual						(¥billions)
	Sales	Operating Income	Ordinary Income	Net Income	(Consolidated) Net Income	
Kirin Brewery Company, Limited	410.8	13.5	24.5	15.9	15.9	
(Major Consolidated Subsidiaries)						
Kirin Beverage Corporation	177.1	4.1	3.9	1.0	0.6	
Lion Nathan Ltd.	75.8	18.3	15.4	10.3	4.7	
Consolidation adjustment of Intangible assets		(2.9)	(2.9)	(2.9)	(1.3)	
Amortization of consolidation differences		(1.2)	(1.2)	(1.2)	(1.2)	
Kirin Logistics Co., Ltd.	41.0	0.8	0.5	0.4	0.4	
Kirin Engineering Co., Ltd.	13.9	0.4	0.4	0.2	0.2	
(Major Affiliates)						
Kinki Coca-Cola Bottling Co., Ltd.	86.1	2.5	2.4	1.3	*0.5	
Yonekyu Corporation	53.3	1.3	1.7	0.6	*0.1	
Equity in earnings of affiliates in total of above 2 companies (*Total)			0.6	0.6	0.6	
Others (including adjustments in consolidation)	21.6	4.5	(2.2)	(9.4)	(5.0)	
Consolidated amount	740.2	37.5	39.0	14.9	14.9	

2004 The 1st half Actual						(¥billions)
	Sales	Operating Income	Ordinary Income	Net Income	(Consolidated) Net Income	
Kirin Brewery Company, Limited	427.7	18.2	29.6	18.0	18.0	
(Major Consolidated Subsidiaries)						
Kirin Beverage Corporation	177.5	5.6	5.2	2.1	1.0	
Lion Nathan Ltd.	76.1	※17.7	※14.1	6.7	3.1	
Consolidation adjustment of Intangible assets		(2.8)	(2.8)	(2.8)	(1.3)	
Amortization of consolidation differences		(1.2)	(1.2)	(1.2)	(1.2)	
Kirin Logistics Co., Ltd.	38.6	1.2	1.1	0.6	0.6	
Kirin Engineering Co., Ltd.	10.2	0.3	0.4	0.2	0.2	
(Major Affiliates)						
Kinki Coca-Cola Bottling Co., Ltd.	90.8	3.0	2.9	0.9	*0.3	
Yonekyu Corporation	50.3	1.5	1.5	0.7	*0.1	
Equity in earnings of affiliates in total of above 2 companies (*Total)			0.4	0.4	0.4	
Others (including adjustments in consolidation)	29.3	5.8	(4.4)	(9.8)	(6.6)	
Consolidated amount	759.4	44.8	42.4	14.2	14.2	

※As for 2004 Actual information, the Company reclassified certain amount included in operating income into special expenses in the consolidated statements of income, which was shown above.

Increase (Decrease)						(¥billions)
	Sales	Operating Income	Ordinary Income	Net Income	(Consolidated) Net Income	
Kirin Brewery Company, Limited	(16.9)	(4.7)	(5.1)	(2.1)	(2.1)	
(Major Consolidated Subsidiaries)						
Kirin Beverage Corporation	(0.4)	(1.5)	(1.3)	(1.1)	(0.4)	
Lion Nathan Ltd.	(0.3)	0.6	1.3	3.6	1.6	
Consolidation adjustment of Intangible assets		(0.1)	(0.1)	(0.1)	0.0	
Amortization of consolidation differences		0.0	0.0	0.0	0.0	
Kirin Logistics Co., Ltd.	2.4	(0.4)	(0.6)	(0.2)	(0.2)	
Kirin Engineering Co., Ltd.	3.7	0.1	0.0	0.0	0.0	
(Major Affiliates)						
Kinki Coca-Cola Bottling Co., Ltd.	(4.7)	(0.5)	(0.5)	0.4	*0.2	
Yonekyu Corporation	3.0	(0.2)	0.2	(0.1)	*0.0	
Equity in earnings of affiliates in total of above 2 companies (*Total)			0.2	0.2	0.2	
Others (including adjustments in consolidation)	(7.7)	(1.3)	2.2	0.4	1.6	
Consolidated amount	(19.2)	(7.3)	(3.4)	0.7	0.7	

	2005 The 1st half Actual	2004 The 1st half Actual
Exchange rate for overseas companies		
Lion Nathan Ltd. (Australian \$)	¥80.95	¥80.06

Consolidated

9. Results of Operations by Major Companies

2005 Forecast

(¥billions)

	Sales	Operating Income	Ordinary Income	Net Income	(Consolidated) Net Income
Kirin Brewery Company, Limited	944.0	54.0	67.0	43.0	43.0
(Major Consolidated Subsidiaries)					
Kirin Beverage Corporation	391.0	19.7	18.9	8.7	5.1
Lion Nathan Ltd.	149.1	※32.4	※24.9	12.9	5.9
Consolidation adjustment of Intangible assets		(5.8)	(5.8)	(5.8)	(2.7)
Amortization of consolidation differences		(2.5)	(2.5)	(2.5)	(2.5)
Kirin Logistics Co., Ltd.	89.9	2.5	2.2	1.5	1.5
Kirin Engineering Co., Ltd.	44.9	0.9	0.9	0.5	0.5
(Major Affiliates)					
Kinki Coca-Cola Bottling Co., Ltd.	185.4	7.9	7.8	4.4	*1.8
Yonekyu Corporation	107.7	2.7	3.2	1.3	*0.2
San Miguel Corporation	331.9	33.1	27.1	15.2	*3.0
Equity in earnings of affiliates in total of above 3 companies (*Total)			5.0	5.0	5.0
Amortization of consolidation difference equivalents of San Miguel Corporation			(2.1)	(2.1)	(2.1)
Others (including adjustments in consolidation)	31.1	8.8	0.5	(11.2)	(3.7)
Consolidated amount	1,650.0	110.0	109.0	50.0	50.0

(Note) As for Lion Nathan Ltd., the Company used their 2004 results (Actual) in local currency for 2005 Forecast since they do not disclose their forecast. (No adjustment was made except for exchange rate.)

2004 Actual

(¥billions)

	Sales	Operating Income	Ordinary Income	Net Income	(Consolidated) Net Income
Kirin Brewery Company, Limited	956.9	52.9	66.7	40.4	40.4
(Major Consolidated Subsidiaries)					
Kirin Beverage Corporation	387.2	19.6	18.1	8.6	5.1
Lion Nathan Ltd.	145.4	※31.6	※24.3	12.6	5.8
Consolidation adjustment of Intangible assets		(5.7)	(5.7)	(5.7)	(2.6)
Amortization of consolidation differences		(2.5)	(2.5)	(2.5)	(2.5)
Kirin Logistics Co., Ltd.	82.6	3.2	3.1	1.6	1.6
Kirin Engineering Co., Ltd.	32.3	1.3	1.3	0.8	0.8
(Major Affiliates)					
Kinki Coca-Cola Bottling Co., Ltd.	193.0	7.9	7.8	3.6	*1.5
Yonekyu Corporation	102.7	3.1	3.0	1.6	*0.3
San Miguel Corporation	337.1	33.7	27.6	15.4	*2.3
Equity in earnings of affiliates in total of above 3 companies (*Total)			4.2	4.2	4.2
Amortization of consolidation difference equivalents of San Miguel Corporation			(1.7)	(1.7)	(1.7)
Others (including adjustments in consolidation)	50.2	8.9	(1.3)	(9.2)	(2.0)
Consolidated amount	1,654.8	109.3	106.5	49.0	49.0

※ As for 2004 Actual (2005 Forecast) information, the Company reclassified certain amount included in operating income into special expenses in the consolidated statements of income, which was shown above.

Increase (Decrease)

(¥billions)

	Sales	Operating Income	Ordinary Income	Net Income	(Consolidated) Net Income
Kirin Brewery Company, Limited	(12.9)	1.1	0.3	2.6	2.6
(Major Consolidated Subsidiaries)					
Kirin Beverage Corporation	3.8	0.1	0.8	0.1	0.0
Lion Nathan Ltd.	3.7	0.8	0.6	0.3	0.1
Consolidation adjustment of Intangible assets		(0.1)	(0.1)	(0.1)	(0.1)
Amortization of consolidation differences		0.0	0.0	0.0	0.0
Kirin Logistics Co., Ltd.	7.3	(0.7)	(0.9)	(0.1)	(0.1)
Kirin Engineering Co., Ltd.	12.6	(0.4)	(0.4)	(0.3)	(0.3)
(Major Affiliates)					
Kinki Coca-Cola Bottling Co., Ltd.	(7.6)	0.0	0.0	0.8	*0.3
Yonekyu Corporation	5.0	(0.4)	0.2	(0.3)	*(0.1)
San Miguel Corporation	(5.2)	(0.6)	(0.5)	(0.2)	*0.7
Equity in earnings of affiliates in total of above 3 companies (*Total)			0.8	0.8	0.8
Amortization of consolidation difference equivalents of San Miguel Corporation			(0.4)	(0.4)	(0.4)
Others (including adjustments in consolidation)	(19.1)	(0.1)	1.8	(2.0)	(1.7)
Consolidated amount	(4.8)	0.7	2.5	1.0	1.0

	2005 Forecast	2004 Actual
Exchange rate for overseas companies		
Lion Nathan Ltd. (Australian \$)	¥81.00	¥78.99
San Miguel corporation (Philippine P)	¥1.90	¥1.93

KIRIN BREWERY COMPANY, LIMITED

SUMMARY OF NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2005(UNAUDITED)

August 10, 2005

(English Translation)

Fiscal year ending December 31, 2005

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 and Sapporo
Interim dividend plan:	Yes
Minimum number of shares to have voting rights:	1,000shares
Representative:	Mr. Koichiro Aramaki, President
For further information, please contact:	Mr. Kensuke Suzuki, General Manager, Corporate Communications & IR Group, CSR & Communications Division. Telephone: 81- 3- 5540- 3450 from overseas

Date of the Board of Directors' Meeting for the semi-annual operation results: August 10, 2005

Date of commencement of payment of interim dividend: September 12, 2005

1. Business results and financial positions for the first half of the current fiscal year

(January 1, 2005 - June 30, 2005)

[Unit: Japanese yen (¥)]

(1) Results of operations:

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

	Sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
	(¥ millions)	(%)	(¥ millions)	(%)	(¥ millions)	(%)
6 months ended June 30, 2005	410,895	(3.9)	13,574	(25.5)	24,502	(17.5)
6 months ended June 30, 2004	427,756	(1.1)	18,213	(0.6)	29,689	(3.6)
Year ended December 31, 2004	956,969		52,945		66,797	

	Net income	Percentage Change	Net income per share primary
	(¥ millions)	(%)	(¥)
6 months ended June 30, 2005	15,910	(11.8)	16.58
6 months ended June 30, 2004	18,031	(2.2)	18.66
Year ended December 31, 2004	40,485		41.76

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

June 30, 2005	959,755,388 shares
June 30, 2004	966,240,313 shares
December 31, 2004	966,180,251 shares

②Change in accounting policies: Yes

③Percentage change means the ratio of increase or decrease in each item of business results for the 6 months ended June 30, 2005 to those for the 6 months ended June 30, 2004.

(2) Dividends:

	Interim dividend per share (¥)	Dividend per share for the year (¥)
6 months ended June 30, 2005	7.00	—
6 months ended June 30, 2004	6.50	—
Year ended December 31, 2004	—	13.50

(3) Financial positions:

	Total assets (¥ millions)	Shareholders' equity (¥ millions)	Ratio of shareholders' equity to total assets (%)	Shareholders' equity per share (¥)
June 30, 2005	1,329,735	779,345	58.6	814.65
June 30, 2004	1,302,651	756,389	58.1	782.80
December 31, 2004	1,417,778	776,356	54.8	803.60

Notes: ①Number of shares of common stock issued and outstanding:	June 30, 2005	956,666,786 shares
	June 30, 2004	966,259,285 shares
	December 31, 2004	965,931,406 shares
②Number of treasury stocks held:	June 30, 2005	27,841,601 shares
	June 30, 2004	18,249,102 shares
	December 31, 2004	18,576,981 shares

2. Forecast of business results for the current fiscal year (January 1, 2005-December 31, 2005)

	Sales (¥ millions)	Ordinary income (¥ millions)	Net income (¥ millions)	Year-end Dividend per share (¥)	Dividend per share for the year (¥)
Year ending December 31, 2005	944,000	67,000	43,000	7.00	14.00

Note: Forecasted net income per share ¥ 44.81

Forecasted operating income ¥ 54,000 million

Refer to Page 10 for the assumptions and other matters related to the above forecast.



NON-CONSOLIDATED BALANCE SHEETS

(¥ millions)

ASSETS	(Note)	At June 30, 2005		At June 30, 2004		Increase (Decrease) Amount	At December 31, 2004	
		Amount	Percentage over total assets	Amount	Percentage over total assets		Amount	Percentage over total assets
Current Assets			%		%			%
Cash		91,008		69,485		21,523	158,611	
Notes receivable, trade		489		439		50	931	
Accounts receivable, trade		146,828		148,587		(1,759)	187,002	
Marketable securities	(*2)	—		51		(51)	—	
Inventories		38,455		40,727		(2,272)	29,907	
Other		33,436		32,298		1,138	44,070	
Allowance for doubtful accounts		(2,134)		(2,011)		(123)	(3,539)	
Total Current Assets		308,083	23.2	289,577	22.2	18,506	416,985	29.4
Fixed Assets								
Property, plant and equipment	(*1)							
Buildings	(*2,3)	120,326		125,475		(5,149)	121,610	
Machinery and equipment	(*3)	106,392		114,163		(7,771)	107,712	
Land	(*2)	99,580		110,086		(10,506)	99,618	
Construction in progress		18,800		10,084		8,716	17,160	
Other	(*3)	27,738		28,948		(1,210)	27,755	
Total		372,837		388,758		(15,921)	373,857	
Intangible Assets		4,626		5,501		(875)	4,983	
Investments and Other Assets								
Investment securities		242,449		259,958		(17,509)	251,236	
Investments in subsidiaries and affiliates		291,407		263,595		27,812	262,163	
Life insurance investments		36,097		35,720		377	36,447	
Other		78,952		64,122		14,830	76,680	
Allowance for doubtful accounts		(4,719)		(4,583)		(136)	(4,575)	
Total		644,187		618,813		25,374	621,952	
Total Fixed Assets		1,021,651	76.8	1,013,073	77.8	8,578	1,000,793	70.6
TOTAL ASSETS		1,329,735	100.0	1,302,651	100.0	27,084	1,417,778	100.0

(¥ millions)

LIABILITIES AND SHAREHOLDERS' EQUITY (Note)	At June 30, 2005		At June 30, 2004		Increase (Decrease) Amount	At December 31, 2004	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
		over total assets		over total assets			over total assets
Current Liabilities		%		%			%
Notes payable, trade	771		3,266		(2,495)	780	
Accounts payable, trade	34,262		31,377		2,885	28,973	
Short-term loans payable	51,414		18,542		32,872	74,383	
Liquor taxes payable	67,615		71,723		(4,108)	112,058	
Income taxes payable	7,787		10,781		(2,994)	6,541	
Accrued expenses	32,526		31,407		1,119	37,292	
Deposits received	34,348		49,747		(15,399)	48,858	
Other	21,490		26,073		(4,583)	33,961	
Total Current Liabilities	250,218	18.8	242,919	18.6	7,299	342,851	24.1
Long-term Liabilities							
Bonds	110,000		110,000		—	110,000	
Long-term debt	25,800		26,000		(200)	26,055	
Employees' pension and retirement benefits	61,258		70,795		(9,537)	62,199	
Other reserves	5,884		5,555		329	5,737	
Deposits received (*2)	61,803		64,823		(3,020)	63,270	
Other	35,424		26,168		9,256	31,308	
Total Long-term Liabilities	300,171	22.6	303,342	23.3	(3,171)	298,570	21.1
TOTAL LIABILITIES	550,389	41.4	546,261	41.9	4,128	641,422	45.2
Common stock	102,045	7.7	102,045	7.8	—	102,045	7.2
Capital surplus							
Additional paid-in capital	70,868		70,868		—	70,868	
Other capital surplus	123		87		36	116	
Total Capital surplus	70,992	5.4	70,956	5.5	36	70,984	5.0
Retained earnings							
Legal reserve	25,511		25,511		—	25,511	
Voluntary earned surplus	490,540		465,149		25,391	465,149	
Unappropriated retained earnings	58,818		59,015		(197)	75,188	
Total Retained earnings	574,869	43.2	549,675	42.2	25,194	565,849	39.9
Net unrealized holding gains on securities	56,122	4.2	47,813	3.7	8,309	51,932	3.7
Treasury stock	(24,685)	(1.9)	(14,101)	(1.1)	(10,584)	(14,455)	(1.0)
TOTAL SHAREHOLDERS' EQUITY	779,345	58.6	756,389	58.1	22,956	776,356	54.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,329,735	100.0	1,302,651	100.0	27,084	1,417,778	100.0

NON-CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

	(Note)	6 months ended June 30, 2005		6 months ended June 30, 2004		Increase (Decrease) Amount	Year ended December 31, 2004	
		Amount	Percentage over sales %	Amount	Percentage over sales %		Amount	Percentage over sales %
Sales		410,895	100.0	427,756	100.0	(16,861)	956,969	100.0
Cost of sales		279,331	68.0	297,247	69.5	(17,916)	662,179	69.2
Gross profit		131,564	32.0	130,509	30.5	1,055	294,789	30.8
Selling, general and administrative expenses		117,989	28.7	112,295	26.3	5,694	241,844	25.3
Operating income		13,574	3.3	18,213	4.3	(4,639)	52,945	5.5
Non-operating income								
Interest income		370		273			681	
Dividend income		11,981		11,586			13,807	
Other		1,969		2,567			5,242	
Total		14,322	3.5	14,428	3.4	(106)	19,731	2.1
Non-operating expenses								
Interest expense		1,087		1,088			2,181	
Other		2,306		1,863			3,697	
Total		3,394	0.8	2,951	0.7	443	5,879	0.6
Ordinary income		24,502	6.0	29,689	6.9	(5,187)	66,797	7.0
Special income								
Gain on release from the substitutional portion of the government's welfare pension insurance scheme		—		—			26,162	
Other		2,325		1,885		440	1,802	
Total		2,325	0.6	1,885	0.4	440	27,965	2.9
Special expenses	(*2)	1,217	0.3	2,644	0.6	(1,427)	18,345	1.9
Income before income taxes		25,610	6.2	28,931	6.8	(3,321)	76,417	8.0
Income taxes		9,700	2.4	10,900	2.5	(1,200)	35,932	3.8
Net income		15,910	3.9	18,031	4.2	(2,121)	40,485	4.2
Retained earnings brought forward from the prior fiscal year		42,907		40,983		1,924	40,983	
Dividends (interim)		—		—		—	6,280	
Unappropriated retained earnings		58,818		59,015		(197)	75,188	

SIGNIFICANT ACCOUNTING POLICIES

1. Valuation of securities

- (a) Equity securities issued by subsidiaries and affiliated companies are stated at cost determined by the moving-average method.
- (b) Available-for-sale securities with fair market value 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.
- (c) Available-for-sale securities without fair market value are stated at the moving-average cost.

2. Derivative financial instruments

Derivative financial instruments are stated at fair market value.

3. Valuation of inventories

- (a) Merchandise, finished goods and semi-finished goods are stated at cost determined by the periodic average method.
- (b) Raw materials, containers and supplies are stated at cost determined by the moving-average method.

4. Depreciation and amortization of fixed assets

- (a) Depreciation of property, plant and equipment is calculated using the declining-balance method, except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method.
- (b) Amortization of intangible assets is calculated using the straight-line method.
- (c) Depreciation or amortization is calculated over the estimated useful lives in accordance with the Corporate Income Tax Law of Japan.

5. Method of providing major allowances and reserves

- (a) Allowance for doubtful accounts
The Company provides allowance for doubtful accounts 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.
- (b) Employees' pension and retirement benefits
The Company provides allowance for employees' pension and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Actuarial differences are amortized by the straight-line method over the average estimated service period, which is 15 years, beginning from the following fiscal year.

(Backgrounds for below-mentioned "Return of substitutional portion of Welfare Pension Insurance")

Employees of Japanese companies are compulsorily included in the Welfare Pension Insurance Scheme operated by the government. Employers are legally required to deduct employees' welfare pension insurance contributions from their payroll and to pay them to the government together with employers' own contributions. For companies that have established their own employees' pension fund that meets certain legal requirements, it is possible to transfer a part of their welfare pension insurance contributions (referred to as the "substitutional portion" of the government's Welfare Pension Insurance Scheme) to their own employees' pension fund under the government's permission and supervision.

(Return of substitutional portion of Welfare Pension Insurance for the year ended December 31, 2004)

Based on the enforcement of Defined Benefit Corporate Pension Law, Kirin Brewery Employees' Pension Fund, established by the Company, received the approval from the Minister of Health, Labour and Welfare on November 1, 2004 for an exemption from the obligation of paying benefits for employees' prior services relating to the substitutional portion of the Welfare Pension Insurance Scheme.

Accordingly, the Company reduced employees' pension and retirement benefit obligations relating to the substitutional portion to the amount that is expected to be transferred back to the government (minimum legal reserve), and the difference was recognized in the statements of income. Unrecognized prior service cost and unrecognized actuarial difference, which are relating to the substitutional portion, were recognized in the statements of income.

As a result, the Company recognized gain on release from the substitutional portion of the government's welfare pension insurance scheme as special income, in the amount of ¥26,162 million.

6. 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.

7. Hedge accounting

- (a) Method of hedge accounting
 - 1) If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains and losses resulting from changes in fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.
 - 2) If forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:
 - (i) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
 - a) the difference, if any, between the amount in Japanese yen of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the Statements of Income in the period which includes the inception date, and
 - b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

- (ii) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.
- 3) If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(b) Hedging instruments and Hedged items

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

Hedging instruments	Hedged items
Forward foreign exchange contracts, etc.	Receivables and payables in foreign currency, future transactions in foreign currency
Interest rate swap contracts, etc.	Interests on loans receivable and loans payable

(c) Hedging policy

The Company uses derivative financial instruments mainly for the purpose of mitigating (i) fluctuation risk of foreign currency exchange rates with respect to receivables and payables in foreign currency and future transactions in foreign currency, and (ii) fluctuation risk of interest rates with respect to loans receivable and loans payable.

(d) Assessment of hedging effectiveness

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 with the corresponding changes in the hedging derivative instruments.

8. Consumption taxes

- (a) Consumption taxes are excluded from the revenue and expense accounts which are subject to such taxes.
- (b) Consumption taxes received and paid were netted and reported as "Other" in current liabilities section of the Balance Sheet.

CHANGE IN ACCOUNTING POLICIES

1. Accounting method for real estate business

Until the year ended December 31, 2004, the Company recorded the net amount of rental income and expenses from real estate business as "Other" in non-operating income. Effective from the current interim accounting period, the Company changed its accounting method for such rental income and expenses under which rental income and expenses are recorded as sales and cost of sales, respectively except that the income from other than rental property business such as the partial rental of its own premises is recorded as usual.

This change was made in order to establish a better presentation of the Company's results of operations by reflecting real estate business more appropriately in its financial statements, considering the increasing importance of this real estate business along with the commencement of business of the commercial facilities developed by old factory site and its business stability expected in the medium and long terms as well.

The effect of this change was to increase sales and cost of sales by ¥2,810 million and ¥1,819 million, respectively, and to increase gross profit and operating income by ¥990 million, respectively, for the six months ended June 30, 2005 compared with what would have been recorded under the previous method. There is no effect on ordinary income and income before income taxes for the six months ended June 30, 2005.

2. Accounting standard for employees' pension and retirement benefits

Effective from the current interim accounting period, the Company adopted new accounting standard for employees' pension and retirement benefits and related guidance (Accounting Standards Board Statement No.3, "Partial Revision of Accounting Standard for Retirement Benefits" and Financial Accounting Standard Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits", issued by the Accounting Standards Board of Japan on March 16, 2005).

The effect on employees' pension and retirement benefits of the adoption of this new accounting standard is immaterial.

NOTES TO:

(NON-CONSOLIDATED BALANCE SHEETS)

*** 1 Accumulated depreciation of property, plant and equipment** (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Accumulated depreciation	579,527	555,047	565,644

*** 2 Detail of Collateral**

(1) Collateral (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Marketable securities	—	3	—
Buildings	852	918	884
Land	439	439	439

(2) Secured borrowing (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Postage charge (facility limit)	—	3	—
Deposits received	2,296	2,296	2,296

*** 3 Amount reduced from fixed assets due to governmental subsidy received** (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Buildings	0	0	0
Machinery and equipment	299	250	250
Structures	35	35	35
Total	335	286	286

4 Contingent liabilities

(1) Guarantees for subsidiaries and affiliated companies (¥ millions, Foreign currency: thousands)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Kirin Lease Co., Ltd.	—	5,347	—
Kirin Agrbio EC B.V.	—	—	600(EUR 4,238)
Taiwan Kirin Co., Ltd.	591(NTD 169,400)	—	—
Other	2,072	3,076	2,060
(Number)	(10)	(13)	(10)
Foreign currencies included in "Other"	1,562	2,403	1,388
	USD 7,195	USD 9,468	USD 8,583
	EUR 5,738	EUR 5,788	EUR 1,200
		NTD 191,951	NTD 100,400

(2) Guarantees for employees' housing loan from banks (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
	9,084	10,366	9,431

(3) Guarantees for customers

(¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Marinet Co., Ltd.	824	1,334	1,181
Other	166	87	79
(Number)	(3)	(1)	(1)
Total contingent liabilities	12,739	20,212	13,352
(Arrangements similar to guarantees included in the above)	(507)	(604)	(558)

(NON-CONSOLIDATED STATEMENTS OF INCOME)

1. Depreciation

(¥ millions)

	6 months ended June 30, 2005	6 months ended June 30, 2004	Year ended December 31, 2004
Property, plant and equipment	15,127	16,209	33,336
Intangible Assets	323	323	647
Total	15,450	16,532	33,983

*2. Loss on impairment

During the fiscal year ended December 31, 2004, the Company recognized loss on impairment on following group of assets.

Use	Location	Type of assets
Asset for rent	Shibuya-ku, Tokyo	Land, buildings
Asset for rent	Sumida-ku, Tokyo	Land, buildings, and other
Asset for rent	Yokohama, Kanagawa	Land
Idle property (Old site of service railway track)	Shioya-gun, Tochigi	Land
Idle property (Old site of field of arley)	Amagi, Fukuoka	Land

The Company classified fixed assets into groups by the type of respective business (division, internal company), which are the units making investment decisions.

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

Carrying amounts of certain assets for rent in the real estate business and idle properties were devalued to their recoverable amounts, owing to substantial decline in the fair market value and the sluggish rent market.

As a result, the Company recognized loss on impairment in the amount of ¥10,338 million, which consisted of land ¥9,911 million, buildings and structures ¥233 million and other ¥193 million, as special expenses for the year ended December 31, 2004.

Recoverable amount of each group of assets is the higher amount of net selling price (fair value less costs to sell) or value in use. The Company mainly used appraisal value prepared by real estate appraisers for calculating net selling price, and value in use was calculated by discounting future cash flows at interest rate of 5.0 %.

(Change in accounting standard for Impairment of Fixed Assets)

Effective from the year ended December 31, 2004, the Company adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003) with early adoption permitted from the year ended March 31, 2004 or thereafter.

As a result, income before income taxes decreased by ¥10,338 million, compared with what would have been reported if the new accounting standard had not been adopted early.

Accumulated loss from impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

3. Presentation of Income taxes

The Company adopted simplified accounting method for income tax effect accounting in the interim financial statements. Accordingly, deferred income taxes are not presented separately and are included in Income taxes in interim statements of income.

(LEASE TRANSACTIONS)

1. Finance lease

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

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

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Machinery and equipments			
Purchase price equivalents	152	155	152
Accumulated depreciation equivalents	96	83	88
Book value equivalents	56	71	64
Other property, plant and equipments (vehicles)			
Purchase price equivalents	7	8	14
Accumulated depreciation equivalents	5	5	11
Book value equivalents	1	3	2
Other property, plant and equipments (tools)			
Purchase price equivalents	4,407	5,847	5,316
Accumulated depreciation equivalents	3,319	3,764	3,813
Book value equivalents	1,088	2,082	1,503
Total			
Purchase price equivalents	4,567	6,011	5,483
Accumulated depreciation equivalents	3,421	3,853	3,913
Book value equivalents	1,146	2,158	1,569

(2) Lease commitments (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Due within one year	702	1,233	1,027
Due over one year	502	1,022	620
Total	1,205	2,255	1,648

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

	6 months ended June 30, 2005	6 months ended June 30, 2004	Year ended December 31, 2004
Lease expenses	605	762	1,468
Depreciation equivalents	554	703	1,353
Interest expense equivalents	28	49	86

(4) Calculation method of depreciation equivalents

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

(5) Allocation of interest expense equivalents

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

2. Operating lease

The company has lease commitments under non-cancelable operating leases as follows. (¥ millions)

	At June 30, 2005	At June 30, 2004	At December 31, 2004
Due within one year	110	141	137
Due over one year	122	235	175
Total	233	376	313

(SECURITIES)

Investments in subsidiaries and affiliates with fair market value.

At June 30, 2005

	Book value	Fair market value	Difference
Investment in subsidiaries	101,766	239,551	137,784
Investment in affiliates	112,484	155,256	42,772
Total	214,250	394,807	180,556

At June 30, 2004

	Book value	Fair market value	Difference
Investment in subsidiaries	101,766	209,017	107,250
Investment in affiliates	86,075	95,775	9,699
Total	187,842	304,792	116,950

At December 31, 2004

	Book value	Fair market value	Difference
Investment in subsidiaries	101,766	248,889	147,122
Investment in affiliates	86,075	93,159	7,083
Total	187,842	342,048	154,206

Supplementary Documents

to the Non-consolidated Financial Statements

**as of and for six-month period ended
June 30, 2005**

Contents

1. Results of Operations
2. Sales Details
3. Profit Breakdown for the 1st 6-month period (Actual)
4. Profit Breakdown for the current fiscal year (Forecast)
5. Major Expenses and Others
6. Major Fluctuations of Assets and Liabilities

KIRIN BREWERY COMPANY, LIMITED

August 10, 2005

Non-consolidated

1. Results of Operations

(¥ billions)

	2005				2004			
	The 1st half Actual		Annual Forecast		The 1st half Actual		Annual Actual	
Sales	916.8	(1.9%)	944.0	(1.4%)	927.7	(1.1%)	956.9	(0.5%)
Operating income	19.5	(25.5%)	54.0	2.0%	19.2	(0.5%)	52.9	(5.3%)
Ordinary income	24.5	(17.5%)	67.0	0.3%	24.6	(5.6%)	66.7	(7.1%)
Net income	15.9	(17.8%)	43.0	6.2%	19.9	(22.2%)	40.4	(16.0%)

2. Sales Details

(¥ billions)

	2005				2004			
	The 1st half Actual		Annual Forecast		The 1st half Actual		Annual Actual	
Sales volume of								
Alcohol beverages business	thousand KL	Increase (Decrease)	thousand KL	Increase (Decrease)	thousand KL	Increase (Decrease)	thousand KL	Increase (Decrease)
Low alcohol beverages	2,540	1.4%	2,540	1.4%	2,505	(1.7%)	2,505	(1.7%)
Beer (*)	1,099	(9.4%)	1,099	(9.4%)	1,212	(3.4%)	1,212	(3.4%)
Happo-shu (*)	806	(23.3%)	806	(23.3%)	1,051	(2.2%)	1,051	(2.2%)
New genre	376	—	376	—	—	—	—	—
Subtotal	2,281	0.7%	2,281	0.7%	2,205	(2.8%)	2,205	(2.8%)
Chu-hi(Hyouketu, Yoi-cha) (*)	241	9.5%	241	9.5%	220	14.6%	220	14.6%
Other	18	(15.4%)	18	(15.4%)	21	(19.9%)	21	(19.9%)
Sales volume by major brands	Million cases		Million cases		Million cases		Million cases	
LAGER	40	(15.4%)	40	(15.4%)	47	(7.3%)	47	(7.3%)
ICHIBAN SHIBORI	43	(4.5%)	43	(4.5%)	45	0.8%	45	0.8%
TANREI	62	(17.5%)	62	(17.5%)	75	(1.1%)	75	(1.1%)
NODOGOSHI NAMA	30	—	30	—	—	—	—	—
Breakdown of sales	944.0	(1.4%)	944.0	(1.4%)	927.7	(1.1%)	956.9	(0.5%)
Alcohol Beverages	868.0	(2.8%)	868.0	(2.8%)	892.9	(0.9%)	892.9	(0.9%)
Low alcohol beverages	837.0	(3.1%)	837.0	(3.1%)	863.8	(0.9%)	863.8	(0.9%)
Beer (*)	440.0	(10.2%)	440.0	(10.2%)	489.8	(3.2%)	489.8	(3.2%)
Happo-shu (*)	236.0	(23.6%)	236.0	(23.6%)	308.7	1.0%	308.7	1.0%
New genre	92.0	—	92.0	—	—	—	—	—
Subtotal	768.0	(3.8%)	768.0	(3.8%)	798.6	(1.6%)	798.6	(1.6%)
Chu-hi (Hyo-ketsu, Yoi-cha) (*)	65.0	10.8%	65.0	10.8%	58.6	14.9%	58.6	14.9%
Other	4.0	(38.7%)	4.0	(38.7%)	6.5	(28.2%)	6.5	(28.2%)
Shochu, Whiskey, Spirits and Wines, etc.	31.0	6.3%	31.0	6.3%	29.1	(1.1%)	29.1	(1.1%)
Pharmaceuticals	63.0	4.4%	63.0	4.4%	60.3	9.1%	60.3	9.1%
Other	13.0	258.5%	13.0	258.5%	3.6	(33.6%)	3.6	(33.6%)

(*) Exports included.

Non-consolidated

3. Profit Breakdown for the 1st-6month period (Actual)

(¥ billions)

Item	2005 The 1st half Actual	2004 The 1st half Actual	Increase (Decrease)	Reference
Sales	410.6	427.7	(17.1)	
Decrease in labour cost			2.7	Decrease in followings: 39.0→36.3 Salaries and Bonuses 1.3, Legal welfare expenses (0.0), Employees' pension and retirement benefit expenses 1.4
Increase in marginal profit of pharmaceutical business			1.4	
Decrease in depreciation			1.1	16.5→15.4
Decrease in factory expenses			0.1	
Raw materials cost of alcohol beverages			(0.2)	Price decrease of Rice 0.3 Price increase of Cans and cartons (0.1), etc.
Decrease in marginal profit of alcohol beverages business			(2.8)	Sales decrease in followings: Beer (7.7, 67 thousand KL), Happo-shu (7.5, 77 thousand KL) Sales increase in followings: New genre 12.6, 116 thousand KL, Chu-hai 0.7, 8 thousand KL, Changing in products mix, etc.
Increase in selling cost			(4.7)	Increase in sales promotion and advertising ((4.8), 41.8→46.6), etc. (Beer, Happo-shu, and New genre (5.0), Chu-hi(0.1) Shochu, Whiskey, spirits and wines 0.6, Pharmaceutical (0.4), etc.)
Other			(2.3)	Increase in followings: Costs of outsourcing of sales department, etc. (1.6) R&D expenses ((1.4), 11.4→12.8) Real estate profit and loss 0.9, etc.
Decrease in Operating Income	13.5	11.2	(2.3)	
Decrease in Non-operating income, net of Non-operating expenses			(0.4)	Decrease in real estate profit and loss (0.8) (Reclassified into operating profit and loss from the current interim accounting period) Increase in financial profit, net 0.5, 10.7→11.2, etc.
Decrease in Ordinary Income	24.5	29.5	(5.0)	
Increase in net of Special income, and expenses			1.8	Increase in gain on sale of investment securities 0.4 Increase in reversal of allowance for doubtful accounts 0.4 Decrease in loss on disposal or sale of fixed assets 1.5 Decrease in gain on sale of land (0.4)
Decrease in Income taxes			1.2	10.9→9.7
Decrease in Net Income	15.9	18.0	(2.1)	

Non-consolidated

4. Profit Breakdown for the current fiscal year (Forecast)

(¥ billions)

Item	2005 Forecast	2004 Actual	Increase (Decrease)	Reference
Sales	344.6	355.9	(11.3)	
Increase in marginal profit of alcohol beverage business			5.4	Sales decrease in followings: Beer (13.6, 113 thousand KL), Happo-shu (23.6, 245 thousand KL) Sales increase in followings New genre 42.2, 376 thousand KL, Chu-hai 2.1, 21 thousand KL Change in product mix, etc.
Decrease in labour cost			4.0	Decrease in followings:77.3→73.3 Salaries and Bonuses 1.5, Legal welfare expenses 0.1, Employees' pension and retirement benefit expenses 2.4
Increase in marginal profit of pharmaceutical business			3.9	
Decrease in depreciation			1.2	33.9→32.7
Decrease in factory expenses			0.2	
Increase in selling cost			(6.5)	Increase in sales promotion and advertising ((6.5), 92.5→99.0), etc. (Beer, Happo-shu and New genre (4.5), Chu-hai (0.4), Shochu, Whiskey, spirits and wines (0.5), Pharmaceutical (1.2), etc)
Other			(6.2)	Increase in followings: Costs of outsourcing of sales department, etc. (2.8) R&D expenses (1.4), 26.2→27.6 Information system expenses (1.3) Real estate profit and loss 2.5, etc.
Raw materials cost of alcohol beverages			(0.9)	Price increase in followings: Raw materials of Chu-hai (0.6), Cans and cartons (0.3) Price decrease in followings: Rice 0.5, etc.
Operating Profit	64.6	62.9	1.7	
Decrease in Non-operating income, net of Non-operating expenses			(0.8)	Decrease in Real estate profit and loss (2.5) (Reclassified into operating profit and loss from the current interim accounting period) Increase in financial profit, net 1.2, 12.3→13.5, etc.
Income Before Ordinary Income	67.4	66.7	0.7	
Decrease in Income taxes			12.9	35.9→23.0
Decrease in net of Special income and expenses			(10.6)	Decrease in followings: Gain on release from the substitutitional portion of the government's welfare pension insurance scheme (26.1) Loss on devaluation of investment in subsidiaries and affiliates 1.6 Loss on impairment 10.3, etc.
Increase in Net Income	43.0	40.2	2.8	

Non-consolidated

5. Major Expenses and Others

(¥ billions)

	2005		2004	
	Interim Actual	Annual Forecast	Interim Actual	Annual Actual
Sales promotion	45.2	99.0	42.9	57.4
Advertising	20.4		35.1	
Beer ,Happo-syu ,New genre	37.1	74.9	32.1	70.4
Chu-hi	3.9	10.6	3.8	10.2
Research and development expenses	12.3	27.6	11.4	26.2
Labour cost	36.6	73.3	35.0	77.3
Depreciation	15.4	32.7	15.5	33.9
Financial profit, net	11.2	13.5	12.7	12.3
Number of employees (Number of persons) (including secondees from group companies)	5,284	5,200	5,730	5,439
Capital expenditures	15.9	34.1	15.3	32.5
(Major Items)				
Renewal of Fukuoka plant ,	6.3	8.3	6.3	3.3
Expansion of facilities at Takasaki pharmaceutical plant	2.4	4.8	2.4	2.4
Remodeling of production facilities of Tochigi plant	0.8	1.0	0.8	2.3
New soft drink production facilities of Shiga plant	0.6	0.7	0.6	0.5
Redevelopment subsequent to closing of Hiroshima plant	—	—	3.2	11.5



Non-consolidated

6. Major Fluctuations of Assets and Liabilities

(¥ billions)

	2005 The 1st half Actual	2004 The 1st half Actual	(Increase (Decrease))	Reference
ASSETS				
Current Assets				
Other	38.4	32.2	6.2	Increase due to the introduction of CMS (Cash Management System) Decrease in accounts receivable due to the sales termination of gift coupon, etc.
Fixed Assets				
Property, plant and equipment				
Land	92.6	110.0	(17.4)	Decrease due to the adoption of the new accounting standard for the impairment fixed assets, etc.
Investments and Other Assets				
Investment securities	229.4	259.9	(30.5)	Redemption of holding preferred stock Increase in unrealized holding gains on securities along with the improvement in stock price, etc.
Investment in subsidiaries and affiliates	269.1	263.5	5.6	Acquisition of <i>San Miguel</i> stock, etc.
Other	170.9	64.1	106.8	Increase in prepaid pension cost due to the release from the substitutional portion of the government's welfare pension insurance scheme Increase in long-term loans to affiliates due to the introduction of CMS Decrease in deferred tax assets due to increase in unrealized holding gains on securities along with the improvement in stock price and others, etc.
LIABILITIES				
Current Liabilities				
Short-term loans payable	31.4	18.5	12.9	Increase due to the introduction of CMS, etc.
Deposits received	34.5	49.7	(15.2)	Decrease due to the sales termination of gift coupon, etc.
Long-term Liabilities				
Employees' pension and retirement benefits	67.2	70.7	(3.5)	Decrease due to the release from the substitutional portion of the government's welfare pension insurance scheme, etc.
Other	35.4	26.1	9.3	Increase in deferred tax liabilities due to increase in unrealized holding gains on securities along with the improvement in stock price and others, etc.
SHAREHOLDERS' EQUITY				
Net unrealized holding gains on securities	56.7	47.8	8.9	Increase in unrealized holding gains on securities along with the improvement in stock price, etc.