

# Kirin Beverage Corporation.

## Non-Consolidated Results

Fiscal Year Ended December 31, 2005

This document has been translated from the original Japanese as a guide for readers of English. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.



## SUMMARY OF FINANCIAL STATEMENTS (Non-consolidated)

For the year ended December 31, 2005

### Kirin Beverage Corporation

February 17, 2006

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 Stock Code: 2595  
<http://www.beverage.co.jp>

Listed exchanges: Tokyo  
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 Public Relations Department  
 Telephone: +81 3 5821-4001

President: Mr. Yoshikazu Arai

Date of meeting of the board of directors: February 17, 2006

Date of General Meeting of Shareholders: March 30, 2006

This Company has an interim dividend system

Proposed dividend distribution date: March 31, 2006

Minimum share trading unit: 100 shares

U.S. GAAP Accounting Principles: Not adopted

### 1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2005

#### 1) Non-Consolidated Operating Results

(Millions of yen)

	FY Ended December 31, 2005		FY Ended December 31, 2004	
		Change (%)		Change (%)
Net sales.....	299,418	(7.9)	324,941	(1.3)
Operating income .....	13,418	(27.5)	18,499	40.8
Ordinary income .....	14,334	(19.4)	17,789	39.7
Net income .....	7,625	(22.7)	9,865	123.4
Net income per share (¥) .....	¥137.66		¥178.17	
Ratio of net income to shareholders' equity .....	9.3%		12.9%	
Ratio of ordinary income to total assets .....	7.7%		9.6%	
Ratio of ordinary income to net sales.....	4.8%		5.5%	

Notes: (1) Average number of outstanding shares during the period:

FY ended December 31, 2005: 55,001,991 shares

FY ended December 31, 2004: 54,978,655 shares

(2) Changes to accounting principles: None

(3) Percentages for net sales, operating income, ordinary income and net income represent changes from the previous fiscal year.

#### 2) Non-Consolidated Dividends

(Millions of yen)

	As of December 31, 2005	As of December 31, 2004
Annual dividend per share .....	¥26.00	¥24.00
Interim dividend per share .....	¥13.00	¥12.00
Year-end dividend per share.....	¥13.00	¥12.00
Total dividend monies paid out for the year .....	1,430	1,320
Dividend payout ratio .....	18.9%	13.5%
Ratio of dividend to shareholder's equity .....	1.7%	1.7%

#### 3) Non-Consolidated Financial Position

(Millions of yen)

	FY Ended December 31, 2005	FY Ended December 31, 2004
Total assets .....	182,423	188,529
Shareholders' equity .....	85,455	78,451
Equity ratio (%) .....	46.8%	41.6%
Shareholders' equity per share (¥).....	¥1,552.71	¥1,425.06

Notes (1) Common stock issued and outstanding at year end:

FY ended December 31, 2005: 55,001,968 shares

FY ended December 31, 2004: 55,001,995 shares

(2) Treasury stock at year end:

FY ended December 31, 2005: 402 shares

FY ended December 31, 2004: 375 shares

## 2. Forecast for the Fiscal Year Ending December 31, 2006

(Millions of yen)

	6 Months Ending June 30, 2006	FY Ending December 31, 2006
Net Sales .....	141,00	309,000
Ordinary Income .....	4,200	14,800
Net Income .....	2,500	8,600
Annual dividend per share .....	¥13.00	-
Interim dividend per share .....	-	¥13.00
Year-end dividend per share .....	-	¥26.00

Notes: Forecasted net income per share ¥156.36

Forecasted operating income for interim period: ¥3,700 million

Forecasted operating income for full fiscal year: ¥14,800 million

Please refer to pages 17-19 of this document for the assumptions and other matters relating to the above forecasts.



## BALANCE SHEETS

(Millions of yen)

ASSETS	As of		As of		Increase
	December 31, 2005	%	December 31, 2004	%	(Decrease)
<b>Current assets</b>					
Cash and deposits	581		1,097		(516)
Notes receivable	182		113		69
Accounts receivable-trade ( 5)	48,452		50,562		(2,110)
Goods	802		822		(20)
Manufactures	7,811		7,667		144
Materials	136		145		(9)
Stocks	71		10		61
Prepaid expenses	4		30		(26)
Deferred taxes assets	2,682		2,728		(46)
Accounts receivable-other ( 5)	8,334		10,921		(2,587)
Short-term loan receivable from parent company	23,428		32,313		(8,885)
Other	3,073		2,343		730
Allowance for doubtful accounts	(35)		(25)		(10)
Total current assets	95,525	52.4	108,732	57.7	(13,207)
<b>Fixed assets</b>					
Property , plant and equipment ( 1)					
Buildings ( 2)	6,793		6,842		(49)
Structures ( 2)	637		685		(48)
Machinery and equipment	12,026		7,569		4,457
Vehicles	7		9		(2)
Vending machines	14,688		14,383		305
Tools, furniture and fixtures	1,278		898		380
Land ( 7)	16,781		16,781		-
Construction in progress	945		6,134		(5,189)
Total	53,159	29.1	53,305	28.2	(146)
Intangible fixed assets					
Leasehold rights	1,865		1,865		-
Software	2,948		1,195		1,753
Other	61		66		(5)
Total	4,875	2.7	3,126	1.7	1,749
Other assets					
Investments in securities	7,586		1,147		6,439
Stocks of affiliated companies	11,223		11,090		133
Investments in affiliated partnerships	1,573		1,424		149
Long-term loans receivable from affiliated	413		1,125		(712)
Receivables from debtors in bankruptcy or reorganization proceeding	103		50		53
Long-term prepaid expenses	2		4		(2)
Deferred tax assets	7,297		7,866		(569)
Other	1,917		1,858		59
Allowance for doubtful accounts	(104)		(50)		(54)
Allowance for loss on investments	(1,152)		(1,152)		-
Total	28,861	15.8	23,364	12.4	5,497
Total fixed assets	86,897	47.6	79,797	42.3	7,100
<b>TOTAL ASSETS</b>	<b>182,423</b>	<b>100.0</b>	<b>188,529</b>	<b>100.0</b>	<b>(6,106)</b>



(Millions of yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	As of		As of		Increase
	December 31, 2005	%	December 31, 2006	%	(Decrease)
<b>Current liabilities</b>					
Accounts payable-trade ( 5)	31,537		37,098		(5,561)
Short-term loan payable	-		1,500		(1,500)
Accounts payable-other	12,011		18,362		(6,351)
Accrued expenses	14,068		14,191		(123)
Income taxes payable	2,274		1,960		314
Consumption taxes payable	-		310		(310)
Deposits received ( 5)	5,808		4,735		1,073
Unearned income	-		2		(2)
Other	147		211		(64)
Total current liabilities	65,847	36.1	78,372	41.6	(12,525)
<b>Long-term liabilities</b>					
Long-term debt	10,000		10,000		-
Deferred income tax due to revaluation of land ( 7)	3,197		3,197		-
Retirement and severance benefits	5,340		4,800		540
Retirement benefits for directors and corporate auditors	-		27		(27)
Reserve for vending machine maintenance	7,014		8,262		(1,248)
Guarantee deposits received	5,567		5,417		150
Total long - term liabilities	31,119	17.1	31,706	16.8	(587)
<b>TOTAL LIABILITIES</b>	96,967	53.2	110,078	58.4	(13,111)
<b>Shareholders' Equity</b>					
<b>Common stock ( 3)</b>	8,416	4.6	8,416	4.5	-
<b>Additional paid-in capital</b>	9,421	5.2	9,421	5.0	-
<b>Retained earnings</b>					
Legal reserve	686		686		-
General reserve	66,000		57,700		8,300
Contingent reserve	66,000		57,700		8,300
Unappropriated retained earnings	7,880		10,000		(2,120)
Total retained earnings	74,567	40.9	68,387	36.3	6,180
<b>Revaluation reserve for land, net of tax ( 7)</b>	(7,937)	(4.4)	(7,937)	(4.3)	-
<b>Net unrealized holding gains on securities ( 8)</b>	989	0.5	164	0.1	825
<b>Treasury stock, at cost ( 4)</b>	(0)	(0.0)	(0)	(0.0)	(0)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	85,455	46.8	78,451	41.6	7,004
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	182,423	100.0	188,529	100.0	(6,106)

## STATEMENTS OF INCOME

		(Millions of yen)				
		FY ended December 31, 2005		FY ended December 31, 2004		Increase (Decrease)
		%		%		
<b>Net sales</b>		299,418	100.0	324,941	100.0	(25,523)
<b>Cost of sales</b>	( 2)	137,067	45.8	154,898	47.7	(17,831)
Gross profit		162,350	54.2	170,043	52.3	(7,693)
<b>Selling, general and administrative expenses</b>	( 1,2)	148,932	49.7	151,543	46.6	(2,611)
Operating income		13,418	4.5	18,499	5.7	(5,081)
<b>Non-operating income</b>						
Interest income		28		38		(10)
Dividends received		1,789		466		1,323
Other		317		349		(32)
Total		2,135	0.7	853	0.3	1,282
<b>Non-operating expenses</b>						
Interest expenses		222		245		(23)
Loss on disposal of vending machines		302		270		32
Loss on disposal of inventories		323		688		(365)
Loss on revaluation of investment securities		10		30		(20)
Other		359		328		31
Total		1,219	0.4	1,563	0.5	(344)
Ordinary income		14,334	4.8	17,789	5.5	(3,455)
<b>Extraordinary losses</b>						
Loss on disposal of fixed assets		411		490		(79)
Loss on sales of fixed assets		-		33		(33)
Special severance payments for early retirement employees		1,916		-		1,916
Total		2,327	0.8	524	0.2	1,803
Income before income taxes		12,007	4.0	17,265	5.3	(5,258)
<b>Income taxes (Current)</b>		4,334	1.5	4,863	1.5	(529)
<b>Income taxes (Deferred)</b>		48	0.0	2,537	0.8	(2,489)
Net income		7,625	2.5	9,865	3.0	(2,240)
Retained earnings brought forward from the prior fiscal year		970		796		174
Interim dividends		715		660		55
Transfer from revaluation reserve for land		-		(1)		1
Unappropriated retained earnings		7,880		10,000		(2,120)



## STATEMENT OF APPROPRIATION OF RETAINED EARNINGS

	(Millions of yen)		
	As of December 31, 2005	As of December 31, 2004	Increase (Decrease)
Unappropriated retained earnings	7,880	10,000	(2,120)
To be appropriated as follows:			
Dividends	715	660	55
(Dividends per share)	¥13	¥12	¥1
Bonuses paid to directors and corporate auditors	53	69	(16)
Transfer to general reserve	6,200	8,300	(2,100)
Total appropriation of retained earnings	6,968	9,029	(2,061)
Retained earnings carried forward to the next fiscal year	912	970	(58)

Notes:

On September 9, 2005, the Company distributed 715 million yen (13.00 yen per share) in interim cash dividends.

On September 9, 2004, the Company distributed 660 million yen (12.00 yen per share) in interim cash dividends.

## Notes to Non-Consolidated Financial Statements

### 1 Standards and methods for the valuation of assets

#### (1) Marketable and investment securities

(a) Investments in subsidiaries and affiliated companies are stated at cost determined by the moving- average method.

#### (b) Marketable securities

Available-for-sale securities with available fair market values are stated at fair market value.

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 moving-average cost.

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

#### (2) Inventories

(a) Finished goods and products are stated at cost determined by the weighted-average method.

(b) Materials are stated at cost determined by the moving- average method.

(c) Supplies are stated at cost determined by the first-in, first-out method.

### 2 Property, plant and equipment and intangible fixed assets

(1) Depreciation of property, plant and equipment is calculated using the declining balance method, except for buildings (excluding building fixtures) acquired on and after April 1, 1998, where depreciation is calculated using the straight-line method.

The useful lives and remaining balances are determined according to methods prescribed in the Corporation Tax Law, except machinery used in soft drink production that is included in the machinery and equipment account shall be determined by the company. (The useful life is approximately 40% less than the statutory useful life.)

(2) Amortization of intangible fixed assets is calculated using the straight-line method.

The useful lives are determined according to methods prescribed in the Corporation Tax Law, except software used by the company is amortized by the straight-line method based on an estimated useful life for of five years within the company.

### 3 Accounting standards for reserves

#### (1) Allowance for doubtful accounts

To prepare for losses from accounts and other receivables, the allowance is provided at an amount based on the historical bad debt ratio for general receivables and an estimate of uncollectible debts upon review of the collectibility of individual accounts considered to be at risk of default.

#### (2) Allowance for loss on investment

To prepare for losses from investments in affiliated companies, the allowance is provided at an amount required in light of the financial conditions of the affiliate in question and the potential for yielding a return on the investment.

#### (3) Retirement and severance benefits

The Company provided reserve for retirement and severance benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the year.

Prior service cost is processed as expenses under the straight-line method, using an amount prorated over a fixed number of years (15 years) within the average remaining number of years of employment for personnel employed at the time each such obligation arose.

Actuarial differences are recognized in expenses in equal amounts over 15 years, which is the average of the estimated remaining service lives, and commenced in the following period.

#### (4) Reserve for vending machine maintenance

The Company provides for repair and maintenance cost of vending machines by estimating the necessary repair and maintenance cost in the future and then equally allocating the costs over five years period.

Additional information

Following the decision at a shareholders' meeting held on March 30, 2005 to cease the Company's system for allowance for retirement benefits for directors, the reserve for directors' and corporate auditor's will be liquidated this fiscal year.

**4 Accounting for lease transactions**

Finance leases other than those recognized as transferring ownership of the leased property to the lessee are accounted for according to methods used in ordinary lease transactions.

**5 Other significant accounting standards**

Accounting for consumption tax, etc.

Accounting for consumption tax, etc. is based on the tax-exclusion method.



## SUPPLEMENT TO NON-CONSOLIDATED BALANCE SHEET

	(Millions of yen)	
	As of December 31, 2005	As of December 31, 2004
1 Accumulated depreciation of tangible fixed assets	95,693	90,892
2 Amount of reduced value entry of tangible fixed assets due to governmental subsidy	93	93
3 Number of authorized shares		
Common stock	80,000,000 shares	80,000,000 shares
Number of shares of common stock issued and outstanding		
Common stock	55,002,370 shares	55,002,370 shares
4 Number of treasury stock held at year end		
Common stock	402 shares	375 shares
5 Main assets and liabilities to affiliated companies which are not listed separately		
Account receivable-trade	9,185	9,624
Accounts receivable-other	-	2,123
Accounts payable-trade	2,460	1,897
Deposits received	5,157	3,982
6 Contingent liabilities		
Warranty obligation for affiliated companies' loan from banks		
VIVAX Co.,Ltd.	500	584
Chubu Kirin Beverage Service Co., Ltd.	350	350
Koiwai Dairy Products Co., Ltd.	255	357

### 7 Land revaluation

The Company revalued land used for business pursuant to Law 34 Concerning Revaluation Reserve for Land (effective March 31, 1998) and revision of the Law on March 31, 2001.

The revaluation difference is accounted for as " Revaluation reserve for land".

### Revaluation methods

Revaluation was performed by adjusting the road rating pursuant to Article 2, Paragraph 4 of the Enforcement Ordinance for the Law 119 Concerning Revaluation Reserve for Land effective March 31, 1998.

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

Revaluation date: December 31, 2001

Book value after revaluation (following below market value) as of December 31, 2005  
4,711 million yen

Book value after revaluation (following below market value) as of December 31, 2004  
3,657 million yen

Additional information for FY ended December 31, 2004

The accounts Differences on Land Revaluation and Deferred Tax Assets/Liabilities Due to Revaluation have been adjusted as a result of a review of business plans for the subject business-use land. This review was conducted together with the beginning, in this consolidated fiscal year, of application of the Accounting Standards for Impairment of Fixed Assets (issued by the Accounting Standards Board of Japan on August 9, 2002) and the Financial Accounting Standards Implementation Guidance No. 6, "Implementation Guidance for Accounting Standards for Impairment of Fixed Assets" (issued by the Accounting Standards Board of Japan on October 31, 2003).

8 Dividend restraint

Increase in net assets for market method employing Article 124, Paragraph 3 of Enforcement Regulation of Commercial Code.

December 31, 2005: 989 million yen

December 31, 2004: 164 million yen

## SUPPLEMENT TO NON-CONSOLIDATED STATEMENTS OF INCOME

	(Millions of yen)	
	FY ended December 31, 2005	FY ended December 31, 2004
1 Principal selling, general and administrative expenses		
Sales promotion expenses	76,534	72,516
Transportation expenses	19,138	20,106
Reserve provision for overhaul vending machines	1,254	2,191
Advertising expenses	15,429	16,400
Employee compensation	8,376	8,254
Reserve provision for retirement allowance	1,000	1,647
Depreciation	6,536	6,869

Percentage of selling expenses over selling, general and administrative expenses accounted for about 90 % of the total at December 31, 2005.

Percentage of selling expenses over selling, general and administrative expenses accounted for about 91% of the total at December 31, 2004.

2 R & D expenses included in administrative expenses and manufacturing costs incurred:

673 million yen as of December 31, 2005

611 million yen as of December 31, 2004

## NON-CONSOLIDATED LEASE TRANSACTIONS

1. Financial leases transactions without ownership transfer to lessee.

(1) Acquisition costs and other

	(Millions of yen)	
	FY ended December 31, 2005	FY ended December 31, 2004
Acquisition costs		
Vehicles	580	833
Vending machines	50	109
Tools, furniture and fixtures	1,319	2,057
Total	1,951	3,000
Depreciation expenses		
Vehicles	318	415
Vending machines	26	73
Tools, furniture and fixtures	941	1,313
Total	1,286	1,802
End-of-term balance		
Vehicles	262	418
Vending machines	24	36
Tools, furniture and fixtures	378	744
Total	665	1,198

(2) Lease commitments

(Millions of yen)

	(Millions of yen)	
	FY ended December 31, 2005	FY ended December 31, 2004
Due within one year	336	590
Due after one year	353	647
<b>Total</b>	<b>689</b>	<b>1,237</b>

(3) Lease payments and other

(Millions of yen)

	(Millions of yen)	
	FY ended December 31, 2005	FY ended December 31, 2004
Lease payments	720	839
Depreciation equivalent	623	725
Interest equivalent	33	51

(4) Method of computing depreciation equivalent

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

(5) Allocation of interest equivalent

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

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

2. Operating lease transactions

Lease commitments

(Millions of yen)

	(Millions of yen)	
	FY ended December 31, 2005	FY ended December 31, 2004
Due within one year	32	36
Due after one year	49	51
<b>Total</b>	<b>82</b>	<b>87</b>

**NON-CONSOLIDATED MARKET VALUE INFORMATION OF SECURITIES**

There is no market value of consolidated subsidiaries' securities.

## Tax effect

Significant components of deferred income tax assets and liabilities

	(millions of yen)
	As of December 31, 2005
Current assets	
Deferred tax assets:	
Accrued expenses	1,779
Inventories	303
Accrued bonus	264
Other	335
Total current deferred tax assets	2,682
Fixed assets	
Deferred tax assets:	
Reserve for vending machine maintenance	2,855
Retirement and severance benefits	1,965
Depreciation	1,422
Long-term prepaid expense	713
Reserve for loss on investment	468
Other	550
Total deferred tax assets	7,976
Deferred tax liabilities:	
Net unrealized holding gains on securities	(678)
Total deferred tax liabilities	(678)
Net deferred tax assets	7,297

In addition to the above, the Company has posted deferred tax assets/liabilities on revaluation. The breakdown of these are as follows.

	(millions of yen)
Deferred tax assets due to revaluation	5,126
Allowance account	(5,126)
Total deferred tax assets due to revaluation	-
Deferred tax liabilities due to revaluation	(3,197)
Net deferred tax liabilities due to revaluation	(3,197)

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

Since the difference between the legal tax rate and the effective rate of corporate and other taxes after application of tax-effect accounting is equal to 5% or less of the legal tax rate, the relevant notes have been omitted.

## Per share data

	(Yen)	
	FY ended December 31, 2005	FY ended December 31, 2004
Net assets per share	1,552.71	1,425.06
Net income per share	137.66	178.17

No figures for diluted net income per share are provided, as no such potentially dilutive stock items have been issued.

Note: The basis for calculation of net income per share is as follows. (Millions of yen)

	(Millions of yen)	
	FY ended December 31, 2005	FY ended December 31, 2004
Net income	7,625	9,865
Net income attributable to common stock	7,571	9,795
Breakdown of amounts not attributable to common stock		
Bonuses to directors and corporate auditors by appropriation of unappropriated retained earnings.	53	69
Average number of common stocks outstanding during the year.	55,001,991 shares	54,978,655 shares