KIRIN HOLDINGS COMPANY, LIMITED

Annual Securities Report
("Yukashoken Hokokusho")

For the year ended December 31, 2023

This is an English translation of the original Annual Securities Report (extract) filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' Network ("EDINET") on March 28, 2024, pursuant to the Financial Instruments and Exchange Act of Japan, for reference purpose only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damage arising from the translation. The translation of the Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting in the original Annual Securities Report are included at the end of this document.

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Annual Securities Report for the 185th fiscal year

[Cover]

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[Company name]	Kirin Holdings Kabushiki Kaisha
[Company name in English]	Kirin Holdings Company, Limited
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[Place for public inspection]	Tokyo Stock Exchange, Inc.
	(2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

PART 1 COMPANY INFORMATION

I. OVERVIEW OF COMPANY

1. KEY FINANCIAL DATA

(1) KEY CONSOLIDATED FINANCIAL DATA FOR THE FIVE MOST RECENT FISCAL YEARS

Fiscal year		181st	182nd	183rd	184th	185th
Fiscal year ended		December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Revenue	(¥ millions)	1,941,305	1,849,545	1,821,570	1,989,468	2,134,393
Profit before tax	(¥ millions)	116,823	124,550	99,617	191,387	197,049
Profit attributable to owners of the Company	(¥ millions)	59,642	71,935	59,790	111,007	112,697
Comprehensive income attributable to owners of the Company	(¥ millions)	54,134	64,028	109,631	189,195	214,321
Equity attributable to owners of the Company	(¥ millions)	906,576	838,584	894,179	980,022	1,132,581
Total assets	(¥ millions)	2,412,874	2,459,363	2,471,933	2,542,263	2,869,585
Equity per share attributable to owners of the Company	(¥)	1,043.57	1,005.96	1,072.69	1,210.16	1,398.47
Basic earnings per share	(¥)	68.00	85.57	71.73	135.08	139.16
Diluted earnings per share	(¥)	67.98	85.54	71.70	135.07	139.15
Equity ratio attributable to owners of the Company	(%)	37.6	34.1	36.2	38.5	39.5
Ratio of profit to equity attributable to owners of the Company	(%)	6.6	8.2	6.9	11.8	10.7
Price earnings ratio	(times)	35.15	28.45	25.75	14.89	23.77
Cash flows from operating activities	(¥ millions)	178,826	164,839	219,303	135,562	203,206
Cash flows from investing activities	(¥ millions)	(175,619)	(115,981)	(56,408)	(10,399)	(226,091)
Cash flows from financing activities	(¥ millions)	(9,997)	(52,474)	(180,463)	(167,835)	35,909
Cash and cash equivalents at end of year	(¥ millions)	165,671	161,667	149,488	88,060	131,399
Number of employees [separately, average number of temporary employees]	(persons)	31,040 [4,677]	31,151 [5,063]	29,515 [4,077]	30,538 [4,012]	30,183 [3,556]

Notes:
1. The Kirin Group’s consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (“IFRS”).
2. Amounts are rounded to the nearest ¥1 million.
3. The amounts of revenue and profit before tax are those from continuing operations.

(2) KEY FINANCIAL DATA OF REPORTING COMPANY FOR THE FIVE MOST RECENT FISCAL YEARS

Fiscal year		181st	182nd	183rd	184th	185th
Fiscal year ended		December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Sales	(¥ millions)	138,629	138,798	139,504	152,789	139,030
Ordinary income	(¥ millions)	77,666	72,043	73,830	76,878	62,239
Net income	(¥ millions)	147,226	79,333	77,251	48,679	70,386
Share capital	(¥ millions)	102,046	102,046	102,046	102,046	102,046
Total outstanding shares	(thousand shares)	914,000	914,000	914,000	914,000	914,000
Net assets	(¥ millions)	1,041,712	987,054	1,007,022	951,119	964,241
Total assets	(¥ millions)	1,945,335	1,969,497	1,996,761	1,898,795	2,282,080
Net assets per share	(¥)	1,199.12	1,184.06	1,208.06	1,174.47	1,190.61
Dividend per share	(¥)	64.00	65.00	65.00	69.00	71.00
[Of which, interim dividend per share]	(¥)	[31.50]	[32.50]	[32.50]	[32.50]	[34.50]
Net income per share	(¥)	167.87	94.37	92.67	59.24	86.91
Net income per share (diluted)	(¥)	–	–	–	–	–
Ratio of equity to total assets	(%)	53.5	50.1	50.4	50.1	42.3
Return on equity	(%)	14.55	7.82	7.75	4.97	7.35
Price earnings ratio	(times)	14.24	25.79	19.93	33.95	23.77
Dividend payout ratio	(%)	38.1	68.9	70.1	116.5	81.7
Number of employees	(persons)	1,070	1,117	1,156	914	977
Total shareholder return	(%)	106.8	111.5	88.8	98.9	104.4
[Benchmark: Dividend-included TOPIX]	(%)	[118.1]	[126.8]	[143.0]	[139.5]	[178.9]
Highest stock price	(¥)	2,729.00	2,591.00	2,430.00	2,306.00	2,245.00
Lowest stock price	(¥)	2,033.00	1,826.00	1,788.00	1,739.00	1,906.00

Notes:

1. Net income per share (diluted) is not stated because there were no potentially dilutive shares.
2. The number of employees of the reporting company includes those seconded to the reporting company from its subsidiaries, affiliates, etc.
3. Amounts are rounded to the nearest ¥1 million.
4. The highest and lowest stock prices on April 3, 2022 and earlier represent quoted prices on the First Section of the Tokyo Stock Exchange, while those on April 4, 2022 and later represent quoted prices on the Prime Market of the Tokyo Stock Exchange.
5. The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the 184th fiscal year. Key performance indicators, etc. for the 184th fiscal year are the numbers after the adoption of the Accounting Standard for Revenue Recognition, etc.

2. HISTORY

Primary events pertaining to the Kirin Group (the Company and its subsidiaries and associates) on and after the foundation of the Company are as follows:

Month/Year	Primary events
February 1907	Kirin Brewery Company, Limited (the forerunner of Kirin Holdings Company, Limited) established.
July 1907	Listed on the Tokyo Stock Exchange.
March 1928	Starts manufacturing soft drinks.
May 1949	Listed on the Tokyo Stock Exchange and Osaka Securities Exchange upon the resumption of securities trading.
April 1963	Vending Machine Services Co., Ltd. (the forerunner of Kirin Beverage Company, Limited) established.
August 1972	Kirin-Seagram Co., Ltd. (the forerunner of Kirin Distillery Company, Limited) established.
August 1975	◆ Formulates “Transformation Initiative 1975: Laying the Groundwork for Achieving Consistent Growth.” First phase of business diversification.
June 1976	Koiwai Dairy Products Company, Limited established.
May 1977	KW Inc. (the forerunner of Coca-Cola Beverages Northeast, Inc.) established.
December 1981	◆ Formulates the Long-Term Management Vision (the 21st Long-Term Plan). Second phase of business diversification.
May 1983	Kirin City Company, Limited established.
August 1983	Heineken Japan Co., Ltd. (the forerunner of Heineken Japan K.K.) established. * Completes the transfer of shares in March 2023.
March 1988	Kirin Engineering Co., Ltd. established.
May 1988	Taiwan Kirin Engineering Co., Ltd. (the forerunner of TAIWAN KIRIN COMPANY, LIMITED) established.
April 1990	Kirin Brewery Company, Limited introduces *ESPO*®, an erythropoietin preparation and therapeutic agent for renal anemia.
January 1991	Kirin Lemon Co., Ltd. takes over Kirin Brewery’s soft drink business and changes its company name to Kirin Beverage Company, Limited.
October 1991	Kirin Europe GmbH established.
July 1996	Kirin Brewery of America, LLC established.
December 1996	Zhuhai Kirin President Brewery Co., Ltd. (the forerunner of Kirin Brewery (Zhuhai) Company, Limited) established.
April 1998	Acquires a stake in Lion Nathan Limited (the forerunner of Lion Pty Ltd).
September 1999	◆ Formulates the Long-Term Management Vision “KG21.”
February 2002	Four Roses Distillery, LLC established.
March 2002	Acquires a stake in San Miguel Corporation.
April 2002	Makes Eishogen Company, Limited a consolidated subsidiary.
December 2004	Kirin (China) Investment Company, Limited established.
January 2005	Acquires an additional stake in San Miguel Corporation (same in April 2005).
May 2006	◆ Formulates the Long-Term Management Vision “Kirin Group Vision 2015” (KV2015).
October 2006	Makes Kirin Beverage Company, Limited a wholly owned subsidiary.
December 2006	Makes Mercian Corporation a consolidated subsidiary.
July 2007	Kirin Brewery Company, Limited changes its name to Kirin Holdings Company, Limited and becomes a pure holding company of the Kirin Group.
July 2007	The new Kirin Brewery Company, Limited becomes operational.
July 2007	Kirin Pharma Co., Ltd. becomes operational and introduces *NESP*®, an extended erythropoiesis-stimulating agent.
December 2007	Acquires a stake in Kyowa Hakko Kogyo Co., Ltd.
December 2007	Makes National Foods Limited a wholly owned subsidiary (Changes its name to Lion-Dairy & Drinks Pty Ltd. in 2011). * Completes the transfer of shares in January 2021.

Month/Year	Primary events
October 2008	Kyowa Hakko Kogyo Co., Ltd. and Kirin Pharma Co., Ltd. merge to establish Kyowa Hakko Kirin Co., Ltd. (the forerunner of Kyowa Kirin Co., Ltd.)
October 2008	Kyowa Hakko Bio Co., Ltd. established.
November 2008	National Foods Limited makes Dairy Farmers a wholly owned subsidiary.
April 2009	Acquires a stake in San Miguel Brewery Inc. (Sells shares of San Miguel Corporation in May 2009).
October 2009	Lion Nathan Limited that operates alcoholic beverages business in Oceania and National Foods Limited that operates Non-alcoholic Beverages Business in Oceania are integrated as Oceania Integrated Beverages Business. * Completes the transfer of Oceania Non-alcoholic Beverages Business in January 2021 and changes the name of Oceania Integrated Beverages Business to Oceania Adult Beverages Business (the forerunner of Lion Pty Ltd).
July 2010	Acquires a stake in Fraser and Neave, Limited. * Completes the transfer of shares in February 2013.
October 2010	Kirin Holdings Singapore Pte, Ltd. established.
December 2010	Makes Mercian Corporation a wholly owned subsidiary.
March 2011	Makes Interfood Shareholding Company a consolidated subsidiary.
August 2011	China Resources Kirin Beverages (Greater China) Company, Limited established. * Completes the transfer of shares in August 2022.
October 2011	Makes Schincariol Participações e Representações S.A. (that changes its name to Brasil Kirin Participações e Representações S.A. in 2012) a consolidated subsidiary and makes it a wholly owned subsidiary in November 2011. * Completes the transfer of shares in June 2017.
October 2012	◆ Formulates the Long-Term Management Vision “Kirin Group Vision 2021” (KV2021).
January 2013	Kirin Company, Limited (the forerunner of Kirin Holdings Company, Limited) established, and CSV Division established.
January 2015	SPRING VALLEY BREWERY COMPANY established.
August 2015	Makes Myanmar Brewery Limited a consolidated subsidiary. * Completes the transfer of shares in January 2023.
February 2016	◆ Revises to new Long-Term Management Vision “Kirin Group Vision 2021” (new KV2021).
February 2016	Formulates Corporate Governance Policy.
February 2017	The Brooklyn Brewery Japan established.
December 2017	Makes Mandalay Brewery Limited a consolidated subsidiary. * Completes the transfer of shares in January 2023.
October 2018	Acquires a stake in Thorne Research, Inc. (the forerunner of Thorne HealthTech, Inc.) * Completes the transfer of shares in October 2023.
February 2019	◆ Formulates the Long-Term Management Vision “Kirin Group Vision 2027” (KV2027).
April 2019	Acquires a 95% of stake in Kyowa Hakko Bio Co., Ltd. from Kyowa Kirin Co., Ltd. * Makes Kyowa Hakko Bio Co., Ltd. a wholly owned subsidiary in January 2023.
July 2019	Absorbs and merges Kirin Company, Limited.
September 2019	Acquires a stake in FANCL CORPORATION.
January 2020	Makes New Belgium Brewing Company, Inc. a wholly owned subsidiary.
November 2021	Makes Fermentum Pty Ltd a wholly owned subsidiary.
January 2022	Makes Bell’s Brewery Inc. a wholly owned subsidiary. * Absorbed and merged by New Belgium Brewing Company, Inc. in December 2023.
August 2023	Makes Blackmores Limited a wholly owned subsidiary.

3. DESCRIPTION OF BUSINESS

The Kirin Group, which has introduced a pure holding company structure, consists of the Company, 171 consolidated subsidiaries, and 30 equity-accounted investees. As a holding company, the Company formulates Group strategies, monitors management of the Group, and provides specialized services to Group companies. The Kirin Group's principal businesses and how primary Group companies engage in such businesses are described below.

The businesses of the Kirin Group are classified as below, which is the same classification as the business segments are classified.

As the Company is categorized as a specified listed company, etc., it decides on insignificance tests for material facts for purposes of insider trading regulations based on consolidated figures.

Japan Beer and Spirits Businesses

This segment, for which Kirin Brewery Company, Limited (a consolidated subsidiary of the Company) oversees the operations, conducts production and sale of alcoholic beverage products including beer, *happo-shu*, new genre, wine, whiskey and spirits in Japan.

Japan Non-alcoholic Beverages Business

This segment, for which Kirin Beverage Company, Limited (a consolidated subsidiary of the Company) oversees the operations, conducts production and sale of soft drinks in Japan.

Oceania Adult Beverages Business

This segment, for which Lion Pty Limited (a consolidated subsidiary of the Company) oversees the operations, conducts production and sale of beer, whiskey, spirits and other products in Oceania and other regions.

Pharmaceuticals Business

This segment, for which Kyowa Kirin Co., Ltd. (a consolidated subsidiary of the Company and listed on the Prime Market of the Tokyo Stock Exchange) oversees the operations, conducts production and sale of pharmaceutical products.

Others

Mercian Corporation (a consolidated subsidiary of the Company) conducts import, production, and sale of alcoholic beverages in Japan. Coca-Cola Beverages Northeast, Inc. (a consolidated subsidiary of the Company) conducts production and sale of Coca-Cola beverages in the United States. Kyowa Hakko Bio Co., Ltd. (a consolidated subsidiary of the Company) conducts production and sale of pharmaceutical raw materials, amino acids, and health foods. Blackmores Limited (a consolidated subsidiary of the Company) conducts production and sale of nutritional supplements and other health foods in the Asia-Pacific region. San Miguel Brewery Inc. (an equity-accounted investee of the Company) conducts production and sale of beer in the Philippines and other markets. FANCL CORPORATION (an equity-accounted investee of the Company) conducts production and sale of cosmetics and health foods in Japan.

The following chart summarizes the structure of the Kirin Group's businesses and primary Group companies.

Kirin Holdings Company, Limited (holding company)

Japan Beer and Spirits

- Kirin Brewery Company, Limited and 8 other companies

15 companies in total including 6 other companies

Japan Non-alcoholic Beverages

- Kirin Beverage Company, Limited and 10 other companies

11 companies in total

Oceania Adult Beverages

- Lion Pty Ltd and 47 other companies

54 companies in total including 6 other companies

Pharmaceuticals

- Kyowa Kirin Co., Ltd. and 46 other companies

47 companies in total

Others

Mercian Corporation, Coca-Cola Beverages Northeast, Inc., Kyowa Hakko Bio Co., Ltd., and Blackmores Limited

* San Miguel Brewery Inc. * FANCL CORPORATION

74 companies in total including 68 other companies

No symbol: Consolidated subsidiaries
*: Equity-accounted investees

4. SUBSIDIARIES AND ASSOCIATES

(1) 171 CONSOLIDATED SUBSIDIARIES

Name	Location	Share capital or investments in capital (¥ millions, unless otherwise stated)	Principal business	Ratio of voting rights (%)	Relationship with the Company
Kirin Brewery Company, Limited *1, *3	Nakano-ku, Tokyo	30,000	Japan Beer and Spirits	100.0	Lending of funds, leasing and renting of equipment Concurrent appointments of officers: Yes
Eishogen Company, Limited	Nakano-ku, Tokyo	90	Japan Beer and Spirits	99.9 (99.9)	Leasing of equipment
Kirin Distillery Company, Limited	Gotemba, Shizuoka	10	Japan Beer and Spirits	100.0 (100.0)	Lending of funds
SPRING VALLEY BREWERY COMPANY	Shibuya-ku, Tokyo	60	Japan Beer and Spirits	100.0 (100.0)	None
Kirin (China) Investment Company, Limited *1	Shanghai, China	U.S.$143,000 thousand	Japan Beer and Spirits	100.0	None
Kirin Brewery (Zhuhai) Company, Limited	Guangdong, China	U.S.$84,700 thousand	Japan Beer and Spirits	100.0 (100.0)	None
TAIWAN KIRIN COMPANY, LIMITED	Taipei, Taiwan	TW$64,000 thousand	Japan Beer and Spirits	100.0 (100.0)	None
Kirin Europe GmbH	Dusseldorf, Germany	EUR77 thousand	Japan Beer and Spirits	100.0 (100.0)	None
Kirin Beverage Company, Limited *4	Chiyoda-ku, Tokyo	8,417	Japan Non-alcoholic Beverages	100.0	Lending of funds, leasing and renting of equipment Concurrent appointments of officers: Yes
Lion Pty Ltd *1	New South Wales, Australia	A$8,730,936 thousand	Oceania Adult Beverages	100.0	Concurrent appointments of officers: Yes
Kirin Foods Australia Holdings Pty Ltd	New South Wales, Australia	A$1	Oceania Adult Beverages	100.0 (100.0)	None
Lion-Beer, Spirits & Wine Pty Limited *1	New South Wales, Australia	A$1,500,000 thousand	Oceania Adult Beverages	100.0 (100.0)	None
Lion (NZ) Limited *1	Auckland, New Zealand	NZ$414,794 thousand	Oceania Adult Beverages	100.0 (100.0)	None
New Belgium Brewing Company, Inc. *1	Colorado, USA	U.S.$396,585 thousand	Oceania Adult Beverages	100.0 (100.0)	None
Lion Global Craft Beverages Pty Ltd *1	New South Wales, Australia	A$259,449 thousand	Oceania Adult Beverages	100.0	None
Fermentum Pty Ltd	New South Wales, Australia	A$30,304 thousand	Oceania Adult Beverages	100.0 (100.0)	None
Kyowa Kirin Co., Ltd. *1, *2, *6	Chiyoda-ku, Tokyo	26,745	Pharmaceuticals	53.8	Concurrent appointments of officers: Yes
Kyowa Kirin Asia Pacific Pte. Ltd. *1	Singapore	S$123,045 thousand	Pharmaceuticals	100.0 (100.0)	None
Blackmores Limited *1	New South Wales, Australia	A$202,319 thousand	Others	100.0 (100.0)	Concurrent appointments of officers: Yes
Kirin Health Science Australia Pty Ltd *1	New South Wales, Australia	A$1,799,000 thousand	Others	100.0 (100.0)	None
Kirin Holdings Australia Pty Ltd *1	New South Wales, Australia	A$1,800,000 thousand	Others	100.0 (100.0)	None
Mercian Corporation	Nakano-ku, Tokyo	3,000	Others	100.0	Lending of funds, renting of equipment Concurrent appointments of officers: Yes
Kirin Holdings Singapore Pte, Ltd. *1	Singapore	A$4,430,737 thousand	Others	100.0	None
Interfood Shareholding Company	Dong Nai, Vietnam	VND871,410 million	Others	95.7 (95.7)	None
Coca-Cola Beverages Northeast, Inc. *5	New Hampshire, USA	U.S.$930 thousand	Others	100.0	Concurrent appointments of officers: Yes

Name	Location	Share capital or investments in capital (¥ millions, unless otherwise stated)	Principal business	Ratio of voting rights (%)	Relationship with the Company
Kyowa Hakko Bio Co., Ltd. *7	Chiyoda-ku, Tokyo	10,000	Others	100.0	Lending of funds and renting of equipment Concurrent appointments of officers: Yes
Koiwai Dairy Products Company, Limited	Nakano-ku, Tokyo	100	Others	99.9	Leasing of equipment
Kirin City Company, Limited	Chuo-ku, Tokyo	100	Others	100.0 (100.0)	Lending of funds
Four Roses Distillery, LLC	Kentucky, USA	U.S.$60,000 thousand	Others	100.0 (100.0)	Lending of funds
Kirin Brewery of America, LLC	California, USA	U.S.$13,000 thousand	Others	100.0 (100.0)	Lending of funds
141 other companies	–	–	–	–	–

(2) 30 EQUITY-ACCOUNTED INVESTEES

Name	Location	Share capital or investments in capital (¥ millions, unless otherwise stated)	Principal business	Ratio of voting rights (%)	Relationship with the Company
YO-HO BREWING COMPANY	Karuizawa-machi, Nagano	10	Japan Beer and Spirits	33.3 (33.3)	None
Brooklyn Brewery Corporation	New York, USA	U.S.$3,729	Japan Beer and Spirits	25.5 (25.5)	None
San Miguel Brewery Inc.	Metro Manila, the Philippines	PHP15,410 million	Others	48.6	Concurrent appointments of officers: Yes
FANCL CORPORATION *2	Yokohama, Kanagawa	10,795	Others	32.7	Concurrent appointments of officers: Yes
26 other companies	–	–	–	–	–

Notes:
1. Principal business represents the segment names.
2. Figures in parentheses in the ratio of voting rights represent the ratio of indirect ownership.
3. *1: Specified subsidiaries
4. *2: Companies filing the Annual Securities Report
5. *3: Revenue of Kirin Brewery Company, Limited (excluding intra-group revenue among consolidated companies) accounts for more than 10% of consolidated revenue.
   Key information on profit or loss (¥ millions):
   1) Revenue: 648,074
   2) Profit before tax: 28,547
   3) Profit: 20,640
   4) Total equity: 64,074
   5) Total assets: 396,092
6. *4: Revenue of Kirin Beverage Company, Limited (excluding intra-group revenue among consolidated companies) accounts for more than 10% of consolidated revenue.
   Key information on profit or loss (¥ millions):
   1) Revenue: 226,867
   2) Profit before tax: 4,793
   3) Profit: 3,510
   4) Total equity: 51,267
   5) Total assets: 137,749
7. *5: Revenue of Coca-Cola Beverages Northeast, Inc. (excluding intra-group revenue among consolidated companies) accounts for more than 10% of consolidated revenue.
   Key information on profit or loss (¥ millions):
   1) Revenue: 250,142
   2) Profit before tax: 30,911
   3) Profit: 24,493
   4) Total equity: 72,416
   5) Total assets: 134,905
8. *6: Revenue of Kyowa Kirin Co., Ltd. (excluding intra-group revenue among consolidated companies) accounts for more than 10% of consolidated revenue. However, the key information on profit or loss of the company is omitted because it files an Annual Securities Report.
9. *7: Kyowa Hakko Bio Co., Ltd. is in a state of balance sheet insolvency with negative equity of ¥5,103 million.
10. The above is part of the disclosure required under IFRS and is referred to in "V. FINANCIAL INFORMATION, Notes to Consolidated Financial Statements, 34. LIST OF SUBSIDIARIES."

5. EMPLOYEES

(1) INFORMATION ABOUT CONSOLIDATED COMPANIES

As of December 31, 2023

Segment	Number of employees (persons)
Japan Beer and Spirits	4,356 [1,278]
Japan Non-alcoholic Beverages	3,408 [541]
Oceania Adult Beverages	3,956 [416]
Pharmaceuticals	5,974 [233]
Others	11,203 [1,088]
Administration	1,286 [–]
Total	30,183 [3,556]

Notes:
1. The number of employees indicates the number of employees currently on duty.
2. The number of temporary employees indicated in the square brackets represents the average number of temporary employees during the year.
3. The number of temporary employees excludes the number of dispatched employees.

(2) INFORMATION ABOUT REPORTING COMPANY

As of December 31, 2023

Number of employees (persons)	Average age (years-old)	Average length of service (years)	Average annual salary (yen)
977	42.30	14.8	9,565,557

Notes:
1. The number of employees indicates the number of employees currently on duty.
2. The average length of service is an approximate figure because the method of calculation differs depending on the employment status and other factors.
3. The average annual salary includes bonuses and extra wages.

(3) LABOR UNIONS

There are no special matters to be noted as to labor-management relations.

(4) RATIO OF FEMALE MANAGERS, RATIO OF MALE EMPLOYEES WHO TOOK CHILDCARE LEAVE, AND WAGE GAP BETWEEN MALE AND FEMALE EMPLOYEES

(i) Reporting Company

Ratio of female managers (%) (Note 1)	Ratio of male employees who took childcare leave (%) (Note 2)	Wage gap between male and female employees (%) (Note 1)		
		All employees	Regular employees	Part-time and fixed-term employees
13.6	61.2	69.6	70.2	43.9

Notes:
1. The figures are calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015). Managers refer to workers who are in an integral position with the management in the decision-making on working conditions and other labor management, and those who are in a supervisory or management position.
2. The figure is the ratio of the number of employees who took childcare leave, etc. and leave for childcare purposes as provided in Article 71-4, Item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) in accordance with the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
3. The ratio of female managers, the ratio of male employees who took childcare leave, and the wage gap between male and female employees are based on all employees of Kirin Holdings.

(ii) Consolidated Subsidiaries

Company name	Ratio of female managers (%) (Note 1)	Ratio of male employees who took childcare leave (%) (Note 2)	Wage gap between male and female employees (%) (Note 1)		
			All employees	Regular employees	Part-time and fixed-term employees
Kirin Brewery Company, Limited	7.7	88.0	71.1	80.9	63.9
Kirin Beverage Company, Limited	7.0	85.7	75.2	79.2	80.7
Mercian Corporation	14.1	66.7	87.9	85.5	77.1
Kyowa Hakko Bio Co., Ltd.	9.3	60.0	76.2	75.6	75.2
Kyowa Kirin Co., Ltd.	14.8	75.0	75.3	76.3	54.4
Kirin Distillery Company, Limited	0.0	100.0	65.8	67.7	67.4
Kirin City Company, Limited	6.4	50.0	48.8	68.6	96.8
Tokyo Kirin Beverage Service Co. Ltd.	3.6	17.4	77.0	87.2	67.0
Kansai Kirin Beverage Service Co., Ltd.	0.0	28.6	69.0	88.4	85.5
Kirin Vivax Co., Ltd.	7.0	36.4	73.5	81.0	107.8
Kirin Maintenance Service Co., Ltd.	5.0	0.0	87.3	89.4	110.2
Kyowa Pharma Chemical Co., Ltd.	10.3	55.6	84.3	82.6	–
Kyowa Kirin Plus Co., Ltd.	0.0	0.0	72.6	73.9	85.1
Koiwai Dairy Products Company, Limited	15.7	50.0	66.1	76.0	82.1
Kirin Group Logistics Company, Limited	7.0	87.5	69.3	82.1	61.7
KL Service East Japan Co., Ltd.	0.0	100.0	43.0	81.6	60.9
KL Service Kyushu Co., Ltd.	0.0	57.1	63.1	90.5	68.1
KL Service West Japan Co., Ltd.	0.0	0.0	35.2	85.2	63.8
Kirin and Communications Company, Limited	60.0	0.0	50.2	89.7	88.6
Kirin Engineering Company, Limited	1.5	25.0	71.3	70.8	–
Kirin Business System Company, Limited	11.1	100.0	74.7	75.0	180.6

Notes:

1. The figures are calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015). Managers refer to workers who are in an integral position with the management in the decision-making on working conditions and other labor management, and those who are in a supervisory or management position.
2. The figure is the ratio of the number of employees who took childcare leave, etc. and leave for childcare purposes as provided in Article 71-4, Item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) in accordance with the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
3. The ratio of female managers, the ratio of male employees who took childcare leave, and the wage gap between male and female employees are based on all employees of each company.

II. OVERVIEW OF BUSINESS

1. MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES

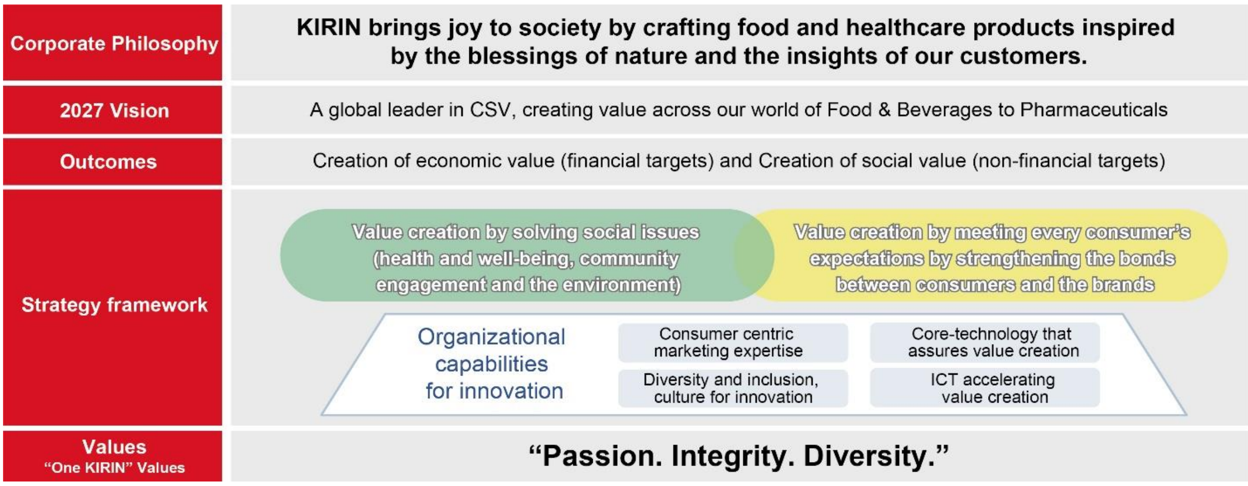
Forward-looking statements contained in this document are based on the assessment that Kirin Holdings made as of the end of this fiscal year. These statements are not guarantees of future performance.

(1) BASIC MANAGEMENT POLICY

In FY2019, Kirin Holdings formulated the *Kirin Group Vision 2027* (KV2027), Kirin Holdings' new Long-Term Management Vision toward 2027. Toward the realization of KV2027, Kirin Holdings also formulated the *Kirin Group CSV Purpose* (CSV Purpose), a guideline for co-creating value with society and achieving sustainable growth.

Long-Term Management Vision *Kirin Group Vision 2027*

In line with the Corporate Philosophy and "One KIRIN" Values that are shared across the Group, Kirin Holdings aims to become a global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals.

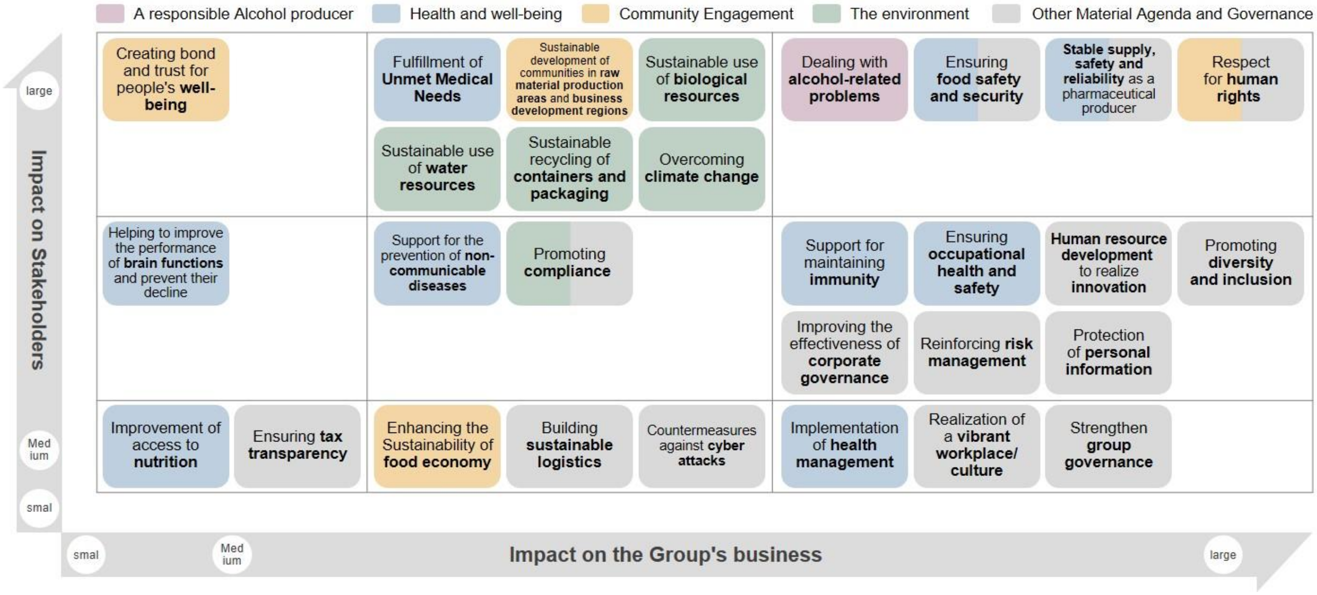


To create value across our world of Food & Beverages to Pharmaceuticals, Kirin Holdings established the Health Science domain to take advantage of its unique strengths, in addition to the existing business domains, namely the Food & Beverages domain (alcoholic and non-alcoholic beverages businesses) and the Pharmaceuticals domain (Pharmaceuticals Business). In the Health Science domain, Kirin Holdings has grown the business into another core of its business by honing the core fermentation technology and biotechnology that have been cultivated since its founding, and by leveraging the organizational excellence and assets that Kirin Holdings has amassed over the years. Moreover, Kirin Holdings has further developed organizational capabilities for innovation, seeing solving social issues as its growth opportunities, so as to establish a business portfolio that will ensure sustainable growth.

Management Issues for Sustainable Growth—Group Materiality Matrix (GMM)

The Kirin Group evaluates the challenges it should address to operate and develop sustainably in partnership with society from the two perspectives of impact on its business and impact on stakeholders, which have been organized in the Management Issues for Sustainable Growth (Kirin Group Materiality Matrix (GMM)). As the Group considers that the GMM will change over time, it re-evaluates and revises the GMM every time it formulates a three-year Medium-Term Business Plan.

In line with the formulation of the 2022–2024 Medium-Term Business Plan, Kirin Holdings made the GMM better meet social demands by refining the aspects of the GMM and re-evaluating the importance of it in light of changes to the business environment, including the COVID-19 pandemic, and stakeholder expectations.



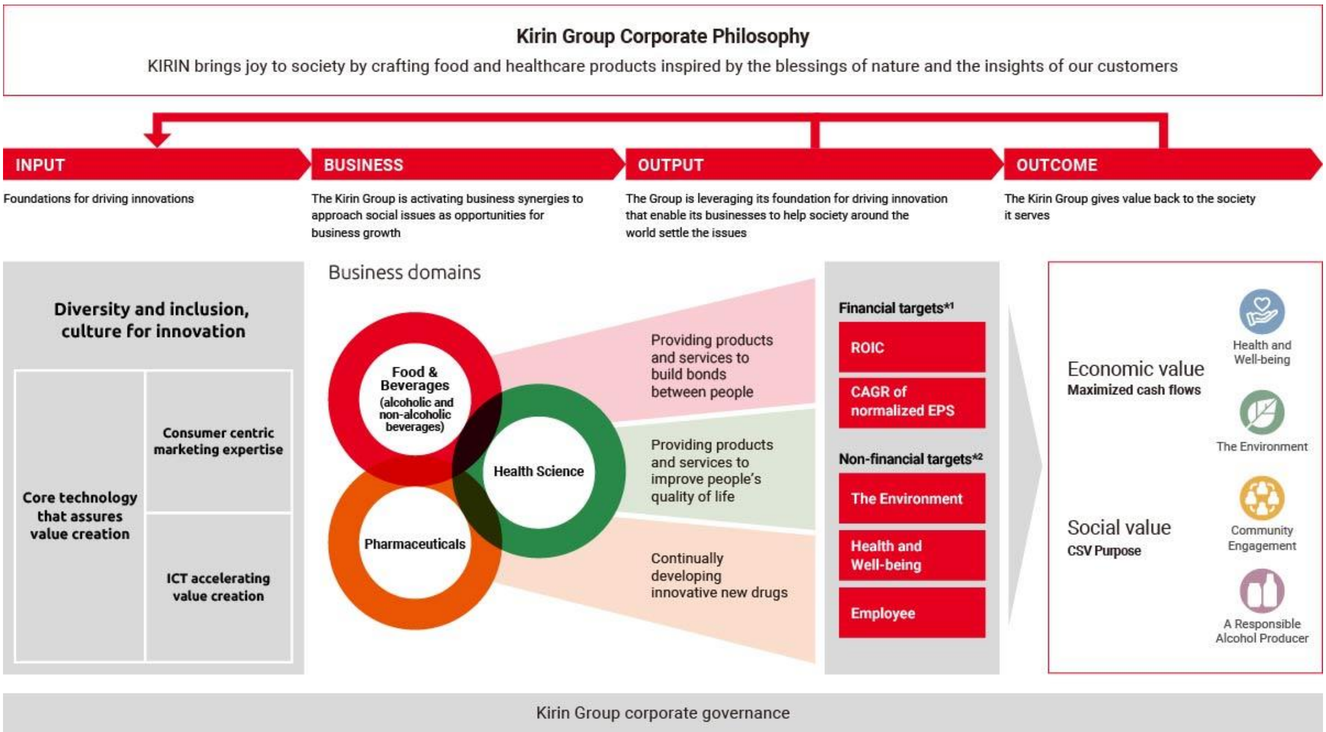
* There is no difference in importance among the items in each cell.

Kirin Group CSV Purpose

On the basis of the GMM, Kirin Holdings has aimed to address issues in the following four areas: Health and Well-Being, Community Engagement, The Environment, as well as the fulfillment of its role as A Responsible Alcohol Producer, designating these four as CSV Purpose. The Group develops a specific action plan as CSV commitment, and makes performance indicators more specific and sets targets for each of the Group companies, linking the indicators and targets to initiatives taken by each of the Group companies.

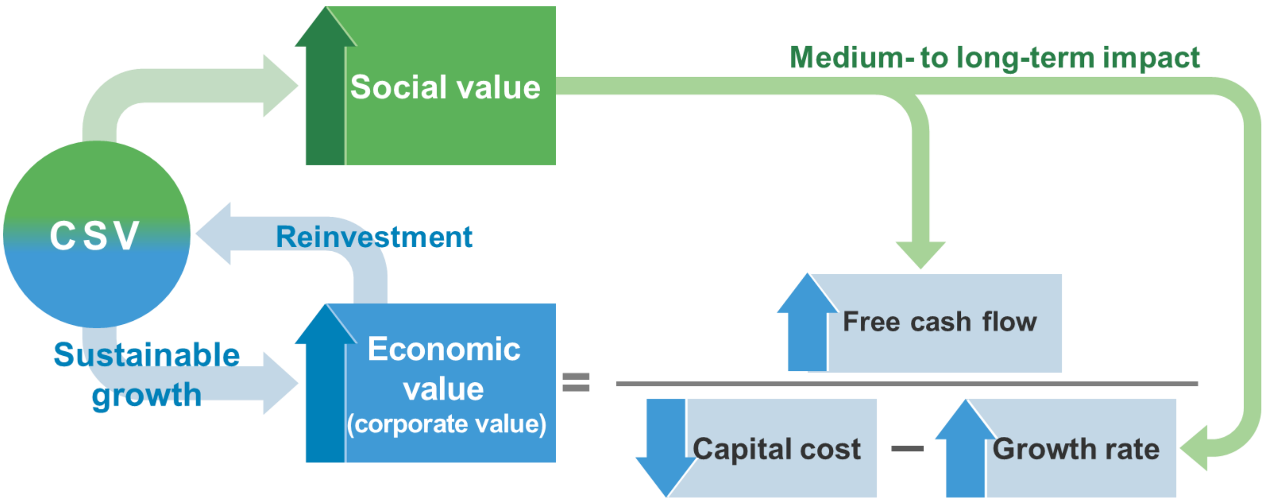
Value Creation Model/CSV Management Concept

Kirin Holdings has developed a value creation model as a sustainable mechanism for promoting the *creation of social value and economic value by solving social issues,* which is its basic approach to CSV management. With our organizational capabilities for innovation (INPUT) as a foundation, we have created value (OUTPUT/OUTCOME) and realized the CSV Purpose by working to solve social issues through our business activities (BUSINESS). In particular, as a company capitalizing on the blessings of nature in conducting its business activities in society, we believe that strengthening non-financial assets, such as human and natural capital, will drive our continuous value creation. Through our business, we aim to achieve sustainable growth of our capital and value by creating social value and economic value at the same time and reinvesting them in our management foundations, including our organizational capabilities.



The illustration below shows how promoting CSV management helps improve our corporate value.

Structure for sustainable value creation based on CSV Management

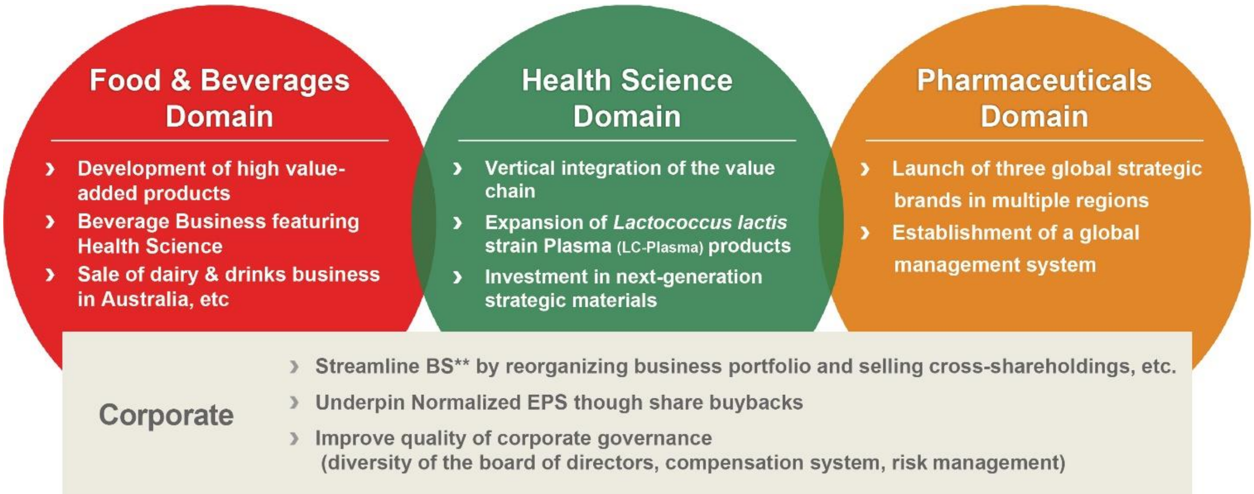


Business activities (BUSINESS) alongside the solution of social issues, create economic value, increase free cash flows, and reduce business risks, ultimately lowering the cost of capital and improving corporate value.
Meanwhile, these business activities also create social value that helps satisfy customers' needs, which we believe will raise the customers' willingness to pay for our products and services and eventually contribute to increasing free cash flows over the long term. A high level of social value we create is expected to help enhance employee engagement and build our competitive advantage in recruitment, leading to enhanced human capital which is a basis of INPUT in our value creation model. We recognize that all the above will positively affect the growth of the Company.

Reference:
- Management Issues for Sustainable Growth (Group Materiality Matrix)
  URL: https://www.kirinholdings.com/en/impact/materiality/
- Kirin Group CSV Purpose
  URL: https://www.kirinholdings.com/en/purpose/csv_purpose/
- Kirin Group CSV Commitments
  URL: https://www.kirinholdings.com/en/impact/csv_management/commitment/
- Kirin Group Value Creation Model
  URL: https://www.kirinholdings.com/en/purpose/model/

(2) MANAGEMENT STRATEGIES OVER THE MEDIUM TO LONG TERM AND TARGET MANAGEMENT INDICATORS

Kirin Group's 2022–2024 Medium-Term Business Plan
In recent years, environmental changes such as extreme weather and unseasonable weather conditions have continued to occur around the world, seriously threatening social systems. The COVID-19 pandemic—which began spreading around the world in 2020—in particular has significantly changed people's attitudes. In this environment, Kirin Holdings has been able to minimize the impact of the pandemic and faced new social issues. In its first three-year plan toward realizing KV2027, Kirin Holdings 2019–2021 Medium-Term Business Plan (2019–2021 MTBP), we have worked on building the foundation of transformation toward a new growth track in each of the business domains: Food & Beverages, Health Science, and Pharmaceuticals. We have also got ourselves ready for implementing the new Medium-Term Business Plan that started in FY2022. For example, we have strengthened our corporate governance system so as to grow each of our businesses in a sound way.



In the face of the changes in the external environment during the period of the 2019–2021 MTBP, we recognized again that the direction of KV2027 Kirin Holdings is aiming at is appropriate, and that the society that we expected to come 10 years later is coming now. Kirin Holdings' *2022–2024 Medium-Term Business Plan* (2022–2024 MTBP) is the second stage of the Long-Term Management Vision to be achieved by 2027. The 2022–2024 MTBP is the stage in which we shift to a new growth track, different from the 2019–2021 MTBP, which laid the foundations for reform, and for solidifying the growth story toward achieving the goals set out in KV2027. To increase corporate value through growth in the three domains of Food & Beverages, Health Science, and Pharmaceuticals, we have been concentrating our management resources on the growth of these domains by strengthening portfolio management and clarifying investment priorities.

Basic Policy
Based on the outcome produced by FY2021, we have been accelerating growth by implementing business structure reforms and creating new value with an eye to post-COVID-19.

Three Important Commitments
1) Increase profit in the Food & Beverages domain that leads cash generation
2) Scale up business in the Health Science domain that will become a large pillar of the future
3) Strengthen global base in the Pharmaceuticals domain that establishes our position as a Global Specialty Pharmaceutical Company

KPIs

As for financial indicators set out in the 2022–2024 MTBP, we aim to improve shareholder value by growing normalized EPS. We also continue to use ROIC as a financial indicator for the three years in which we will give priority to growth investment. We have changed non-financial targets so that they become more appropriate for Kirin Holdings to place CSV at the core of its management and that they become more directly connected to economic value.

Further, we have promoted medium- and long-term value sharing with shareholders and investors by linking KPIs (financial and non-financial targets) and the level of achievement of annual consolidated normalized operating profit for a single fiscal year with the Officers' remuneration. (The details of the Officers' remuneration are as stated in "IV. INFORMATION ABOUT REPORTING COMPANY, 4. CORPORATE GOVERNANCE, (4) OFFICERS' REMUNERATION, ETC."

[Financial targets*1]

•ROIC*2	FY2024	10%+
•Normalized EPS*3	CAGR	11%+

*1 Financial indicators are evaluated by excluding the impact of exchange rate fluctuations when overseas subsidiaries are consolidated and other factors.

*2 ROIC = Profit after tax before interest / (Average total interest-bearing liabilities at beginning and end of the period + Average total equity at beginning and end of the period)

*3 Normalized EPS = Normalized profit / Average number of shares outstanding during period
Normalized profit = Profit attributable to owners of the Company ± Other operating income and expenses and other items after income taxes

[Non-financial targets]

Before

Items	Themes	Non-financial Targets
CSV Commitment	ARP Health Community Environment	**CSV Commitment** Approx. 20 Commitments Approx. 40 Performance Indicators
Brand	Organizational Capabilities	**Corporate Brand Value** Scores from nterbrand Japan
Employees	Organizational Culutre	**Employee Engagement** Employee engagement score

Indicators linked to economic value more directly

After

Items	Themes	Non-financial Indicators New	Target Level in 2024	Links to Economic Value
Environment	Climate Change	**Reduction rate of GHG emissions** (Scope1+2 vs. 2019)	**23%** (50% in 2030)	Reduction of cost increases when introducing carbon tax with energy saving effect
Environment	Containers and Packaging	**Recycling rate of resin for PET bottles**	**38%** (50% in 2027)	Profit generation through value creation and stable procurement of PET raw materials
Environment	Water resources	**Water use intensity at manufacturing sites with high water stress** Lion (Australia) (Water use intensity = Water usage / Production amount)	**Under 3.0 kL/kL** (Under 2.4kL/kL in 2025)	Reduction of production cost and production risk due to drought
Health	Progress of mid-term health science strategy	**Achievement level in supporting the maintenance of immune function** 1. Recognition rate of LC-Plasma function in Japan 2. Number of people continuing to take LC-Plasma	**1. 45%** **2. 1,900,000 people** (1. 50% in 2027)	Increase in revenue and operating profit
Health	Progress of mid-term health science strategy	**Achievement level of new value creation in the immunity, brain function, and intestinal environment domains** and **Achievement level of promotion of collaboration with pharmaceuticals domain**	**Not disclosed*1**	Profit generation by satisfying unmet needs and creating new health value
Employees	Organizational Culture	**Employee engagement score**	**75%**	Profit generation through value creation and productivity improvement
Employees	Diversity	**Achievement level in “Increasing diversity”*2** 1. Ratio of female managers in Japan 2. Ratio of career hires in Japan	**1. 15%** **2. 30%**	Profit generation through value creation and productivity improvement
Employees	Occupational health and safety	**Lost time injury frequency rate*3**	**0.95** (0.40 in Japan)	Raise motivation and productivity by improving working environment

*1 Specific indicators and target levels are not disclosed for strategic reasons, as they include content related to intellectual property.
*2 The target group is employees of Kirin Holdings.
*3 Major group companies that have production and logistics functions within the group will be included. Partner companies within the plant premises are also included.

Financial Policy
We expect cash flows from operating activities of approximately ¥700.0 billion in total during the three-year period of the 2022–2024 MTBP. The top-priority use of funds is to pay dividends. We will maintain the dividend payout ratio on normalized EPS of at least 40% and plan to pay the total amount of dividends of approximately ¥230.0 billion. In the 2019–2021 MTBP, we planned to make capital expenditures of approximately ¥310.0 billion. In the 2022–2024 MTBP, we classified capital expenditures under foundation investment and growth investment and has increased the total amount of capital expenditures to approximately ¥400.0 billion. In addition to usual capital investments, we will secure an investment framework for new growth in the three domains and put more money into the framework to help improve our corporate value.
We are also exploring M&A investment opportunities, aiming to expand our business in addition to our organic growth. Particularly in the Health Science domain, where we aim to expand, we have been examining broad opportunities available in Japan and abroad. We will procure funds for M&A investments by reducing the size of our balance sheet and selling non-core businesses through portfolio management.

Our cash flow plan, excluding M&A, for each of the business domains is as follows. In the Food & Beverages domain, we have kept the amount of investment below a certain level and have aimed to maximize cash flows from operating activities through profit growth. In the Health Science domain, we will make capital expenditures to maximize cash flows from operating activities in the medium to long term. In the Pharmaceuticals domain, cash flows from operating activities are expected to steadily increase through the growth of global strategic products, and we have been making necessary capital investments for Kyowa Kirin to establish global-scale production and marketing foundations necessary for its sustainable growth as a Global Specialty Pharmaceutical Company.

In addition to the cash flow plan, we also emphasize balance sheet management in the 2022–2024 MTBP. We seek to optimize working capital by centralizing cash held by the Group companies in Japan and abroad on the global cash management system that we introduced in 2021 and to improve the cash conversion cycle (CCC) through streamlining SCM[*4]. Through these efforts, we will generate cash of approximately ¥100.0 billion during the three-year period of the 2022–2024 MTBP.
In managing the business portfolio, we will consider selling some businesses that the Board deems non-core businesses after continuous discussions. We will put a priority on diverting the funds generated through the balance sheet management and portfolio management to M&A investments in order to acquire future growth drivers. Meanwhile, we will flexibly decide on additional shareholder returns centered on the acquisition of treasury shares while considering investment opportunities and the balance of cash inflows and outflows.

*4 Supply Chain Management (SCM) refers to the efficient establishment and management of the supply chain, including the procurement of raw materials, production at factories, and the supply, demand, and distribution of products.

Non-financial Policy
We have been also putting more effort into non-financial initiatives in accordance with the basic policy of the 2022–2024 MTBP. We have aimed to build a solid organizational foundation by strengthening our organizational capabilities to achieve innovation with an eye on post-COVID-19, thoroughly utilizing Kirin Holdings' DNA of focusing on quality, building an SCM* system that balances efficiency and sustainability, and strengthening governance to support value creation. Further, with a view to enhancing our organizational capabilities and meeting stakeholder expectations, we have been striving to produce greater outcomes by setting non-financial targets that directly lead to economic value and by improving the steps of input–business–output in our Value Creation Model. Through strategic initiatives for non-financial capital, we will promote CSV management and contribute to solving sustainability issues in society.

(3) FUTURE CHALLENGES

Conflicts continue to rage in many parts of the world, negatively impacting social and economic life. Although the four-year-long COVID-19 crisis is coming to an end, outbreaks of infectious diseases are inevitable in the future. The environment is becoming more complex with the increasing severity of global warming. It is precisely in times like these that the Kirin Group will face social issues head-on and practice CSV management, which creates economic value while solving problems, in order to contribute to a sustainable society and pursue sustainable growth for the Kirin Group. In the Food & Beverages domain, the Pharmaceuticals domain, and the Health Science domain, in particular, we will promote a global business structure with the addition of Blackmores Limited.

The Kirin Group's growth is supported by organizational capabilities, including: human resources, ICT, in addition to technological capabilities based on fermentation and biotechnology.
With regard to human resources, we aim to develop human resources with expertise and diversity through diverse business experience in the Kirin Group's business portfolio, while at the same time fostering an organizational culture that will continue to generate innovation.

In regards to respect for human rights initiatives, under the revised Kirin Group Human Rights Policy, we are promoting human rights due diligence, an integrated approach that includes identification of negative human rights impacts in the value chain, including raw material suppliers, prevention and reduction of such impacts, monitoring, and information disclosure.

In the area of ICT, we will promote business process reform and efficiency improvement through the use of digital technologies such as generative AI in various fields such as sales, product development, procurement, production, and logistics.

Through these efforts, we aim to achieve our financial targets of Normalized EPS and ROIC, as well as achieve our non-financial targets for the environment, health and well-being, and employees.

Beginning in FY2024, the business segments will be renamed Alcoholic beverages business, Non-alcoholic beverages business, Pharmaceuticals business, Health Science business, and Other businesses.

1)Food & Beverages Domain (Alcoholic beverages and Non-alcoholic beverages businesses)

In the Food & Beverages domain, we will continue to establish a strong brand system centered on our mainstay brands and work to increase profitability by nurturing high-value-added, high-unit-price products.
Kirin Brewery will propose the appeal and enjoyment of the brand with a diverse lineup centered on KIRIN ICHIBAN. Honkirin will be renewed, and we will continue to communicate the brand’s value. We will also aim to establish a strong brand lineup by launching a new brand in the beer category this spring.
We will also continue our efforts to expand our craft beer offerings, with the renewal of the SPRING VALLEY brand in March to provide more opportunities for people to become more familiar with beer and to communicate the diverse ways in which beer can be enjoyed. In addition, the brand's SPRING VALLEY BREWERY TOKYO (Shibuya-ku, Tokyo) will be completely renovated to provide an opportunity for customers to casually experience craft beer. Through these efforts, we will work to steadily grow the business and brand by providing new value.
Kirin Beverage will work to revitalize the black tea category and make the unsweetened tea category more attractive by developing high value-added products from the Kirin Gogo-no-Kocha and Kirin Nama-cha brands. In April, we will renew Kirin Nama-cha to strengthen the brand. We will also continue to focus on LC-Plasma-containing beverages. In addition to the renewal of Oishii Immune Care and Oishii Immune Care Calorie Off, we aim to expand the “immune care” market by introducing new products that meet consumers' lifestyles and needs and further promote the "immune care" habit.
Lion will focus on strengthening its brands, including its flagship beer brand XXXX (four-ex) in Australia and Kirin Hyoketsu, which is newly launched in Australia and New Zealand. Lion will also continue to expand its craft beer business in Australia and North America.
Mercian will focus its efforts on its Château Mercian Japanese wine products to strengthen profitability. Coke Northeast will maintain a highly profitable structure by utilizing IT to increase supply chain productivity while achieving sales growth.

2) Pharmaceuticals Domain (Pharmaceuticals Business)

Kyowa Kirin aims to achieve further growth of its global strategic products, Crysvita and Poteligeo*2. In addition, Kyowa Kirin will make steady progress in the global development of its key pipeline products, KHK4083 (generic name: rocatlinlimab) and KHK4951 (generic name: tivozanib)*3, and move forward with integration and collaboration with Orchard Therapeutics.

*2A drug for the treatment of certain types of leukemia. It is already marketed in Japan under the POTELIGEO brand name.
*3This product was developed for the treatment of exudative age-related macular degeneration (a disease in which abnormal vascularization occurs in the macula, where photoreceptor cells are closely connected, causing rapid vision loss) and diabetic macular edema (a complication of a disease in which the retina is damaged due to high blood sugar, resulting in damage to capillaries in the macula, which causes edema in the macula and vision loss).

3) Health Science Domain (Health Science business)

After COVID-19, people are becoming more health and well-being conscious. We will further enhance the Group's strengths in consumer-centric marketing expertise and value-creating technologies, and promote global expansion with a focus on the Asia-Pacific region. We will establish a unique business model for the entire Kirin Group by leveraging the brand power of Blackmores Limited and FANCL CORPORATION.
In Japan, we will continue to work on expanding "immune care" needs in 2024 and aim to grow the "LC-Plasma" related business. With FANCL CORPORATION, we will expand group synergies by developing the CALOLIMIT brand in Kirin Group companies, improving efficiency by sharing know-how in the e-commerce business, and promoting joint research.
Overseas, we will strengthen our position in the growing market of Southeast Asia, centered on the Australia-based Blackmores. Kyowa Hakko

Bio will also promote the development of products utilizing LC-Plasma.
In 2024, the final year of the 2022-2024 MTBP, the Kirin Group will further enhance its ability to execute its strategies through the challenge and ingenuity of all Group employees, and move forward to become one of the world's leading CSV companies. We will further enhance our ability to execute our strategies through the challenge and ingenuity of all Group employees and move forward to become a world leader in CSV.

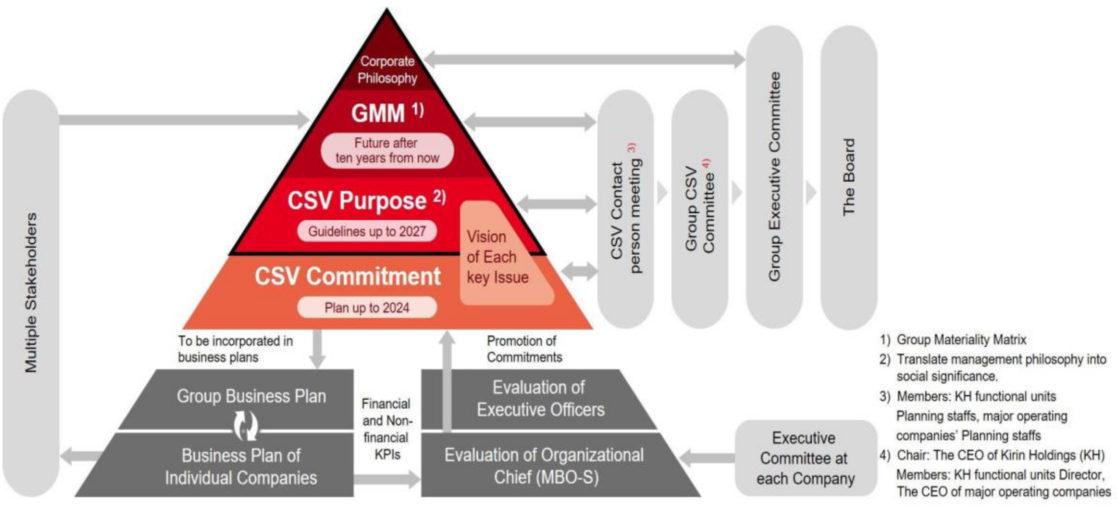
We look forward to the continued understanding and support of our shareholders.

2. APPROACHES TO AND INITIATIVES FOR SUSTAINABILITY

Under the Corporate Philosophy and Long-Term Business Plan, Kirin Holdings recognizes issues related to sustainability including climate change and human capital as its important management issues that could reduce risks as well as provide business opportunities. The Company aims to both enhance corporate value over the medium to long term and solve sustainability issues through proactive efforts. The Company addresses overall sustainability issues and specific themes as summarized in the following four pillars: Governance, Strategy, Risk management, and Metrics and targets.

(1) Overall sustainability issues

<table>
<tr><th>Category</th><th>Description</th></tr>
<tr><td>Governance</td><td>At Kirin Holdings, the Group Executive Committee and the Board deliberate and make resolutions on material issues concerning sustainability. In addition, the Group CSV Committee, chaired by the President & CEO of Kirin Holdings, meets three times a year and discusses the formulation of CSV policies, strategies, and action plans, and monitors the implementation of these plans in order to promote CSV management. The details of such discussion and monitoring are reported to the Board and the results of discussion on the Board are reflected in the Group’s overall strategies.
Report on the Group CSV Committee Meetings
https://www.kirinholdings.com/en/impact/csv_management/promotion_impact/#link-1648083735
Non-financial targets of the Group that have been set under the three themes of environment, health, and employees are reflected in the performance evaluation indicators for the directors of the board (except non-executive directors) and executive officers. The Performance Rule is stated in “1. MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES, (2) MANAGEMENT STRATEGIES OVER THE MEDIUM TO LONG TERM AND TARGET MANAGEMENT INDICATORS.”
To enhance the effectiveness of the CSV policies and strategies decided based on the discussion of the Group CSV Committee, we have established CSV Contact Person Meeting, which is composed of managers from each division of Kirin Holdings and the planning divisions of major operating companies, to share information and exchange opinions. (Figure 1)
Under the Group CSV Committee, there are three Group-wide meeting bodies, namely the Group Environment Committee chaired by the Officer in Charge of CSV strategy, the Group Business and Human Rights Meeting and the Group Health and Safety Meeting chaired by the Officer in Charge of Personnel & General Affairs Strategy. These committees facilitate responses to individual issues related to sustainability. (Figure 2)
Report on the Group Sustainability Meetings on Specific Issues
https://www.kirinholdings.com/en/impact/csv_management/promotion_impact_sustainability/

(Figure 1)


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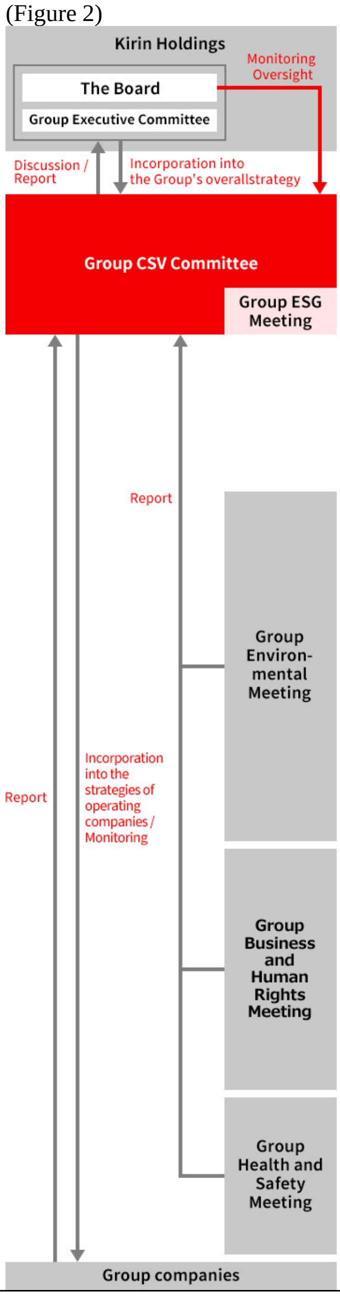
(Figure 2)



	Chairperson	Members	Main proceedings	Frequency
Group CSV Committee / Group ESG Meeting	President & CEO, Kirin Holdings	• Vice President and Senior Executive Officer of Kirin Holdings • President of major domestic and overseas operating companies	• Discussing the Group's CSV policy, strategy, and action plan • Monitoring the implementation status of CSV-related initiatives at Group companies • Report from meetings of Group CSV Committee umbrella	Three times a year (Of which, 1 time held as Group ESG Meeting)
Group Environ-mental Meeting	Senior Executive Officer in charge of CSV strategy	• Senior Executive Officer in charge of Supply Chain Management • General Manager of CSV Strategy Department • General Manager of Corporate Strategy Department • General Manager of Finance Department • General Manager of Procurement Department • General Manager of Corporate Communications Department, Duputy General Manager of IR Section • General Manager of R&D Division • General Manager of Production Division of Kirin Brewery	• Monitoring of progress and discussing policies, strategies and plans for various roadmap for the realization of Kirin Group Environmental Vision 2050	Twice a year
Group Business and Human Rights Meeting	Senior Executive Officer, Human resources and General affairs strategy	• Senior Executive Vice President in charge of Risk Management • Senior Executive Officer in charge of CSV strategy • Senior Executive Officer in charge of Supply Chain Management • General Manager of Procurement Department • General Manager of Corporate Strategy Department	• Monitoring the progress of the roadmap on human rights and discussing policies, strategies and plans	Twice a year
Group Health and Safety Meeting		• General Manager, Human Resources Division of each operating company • Executive director of each health insurance association Attendees according to the theme: Persons in charge of promoting occupational safety and health at each company	• Monitoring of the progress of indicators related to health management (including occupational health and safety) and exchange of opinions on policies, strategies, and plans	Twice a year

Strategy

1) Group Materiality Matrix

Kirin Holdings has formulated the Group Materiality Matrix (GMM), which outlines the key issues that must be addressed in order to sustainably co-exist and develop with society. Based on the GMM, we have formulated the CSV Purpose as a guideline that translates our management philosophy into the significance of our existence in society. To realize the CSV Purpose, we will promote CSV management to solve social issues and create economic value. The details are stated in “1. MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES, (1) BASIC MANAGEMENT POLICY.”

2) Procedure to identify materiality

We select material issues or the Materiality according to four processes: identifying management issues, conducting internal reviews, implementing stakeholder engagement, and deciding the Materiality. The details of these processes are as follows.

In identifying management issues, we have selected issues based on reporting guidelines (ISO26000, GRI, SASB), ESG assessments (FTSE, MSCI, Sustainalytics) and targets of SDGs, etc.

For conduction of internal reviews, we have discussed the impacts of social issues on business activities and the impact of business activities on society at the Group Executive Committee, based on objective information on social issues, including reports from NGOs and NPOs and media information.

For implementation of stakeholder engagement, we have engaged with investors, NGOs, NPOs, and employees (labor unions) based on the results of internal reviews to reflect their opinions.

In deciding the Materiality, the results reflecting the opinions of stakeholders were resolved by the Board meeting after the discussion at the Group CSV Committee.

3) Issue-specific responses

In line with our approaches to and initiatives for overall sustainability issues, we assess risks and opportunities for society and companies in the context of the environment, business and human rights, and health and safety at meeting

	bodies dedicated to specific issues, and then discuss policies, strategies, and plans. We have proactively disclosed reports on each meeting to a broad range of stakeholders.
Risk management	Kirin Holdings discusses risks and opportunities related to sustainability issues at the Group CSV Committee and meeting bodies under the Committee. We also deliberate on and monitor our business risk factors, including sustainability issues, at the Group Risk and Compliance Committee, which meets every quarter. The details of the risk management are as stated in “3. BUSINESS RISK FACTORS.” As for other specific themes, we have adopted and implemented a new approach to identify and examine material risks through the analysis and assessment of scenarios developed for each risk factor. In particular, the details of risk management related to climate change and natural capital are as stated in “(2) Specific themes, [Responses to climate change and natural capital].”
Metrics and targets	Targets for key issues related to sustainability have been incorporated into the Group’s business plans in the form of non-financial indicators. The details are stated in “1. MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES, (2) MANAGEMENT STRATEGIES OVER THE MEDIUM TO LONG TERM AND TARGET MANAGEMENT INDICATORS.” In addition, Kirin Holdings and its major subsidiaries have set CSV Commitments in the form of action plans for issues that should be tackled in order to achieve the CSV Purpose. These commitments have been incorporated into major subsidiaries’ business plans and these progresses are reflected in the evaluation of their top managements. CSV Commitments https://www.kirinholdings.com/en/impact/csv_management/commitment/

(2) Specific themes

To enhance our resilience to climate change, utilize natural capital appropriately and continually, and contribute to building of circular economy, the Kirin Group promotes transition strategies including mitigation and adaptation. We assess social and business risks and opportunities of a variety of sustainability issues, such as climate change, natural capital, and human capital, as well as the resilience of our strategies. The relevant information is disclosed to a broad range of stakeholders.

[Responses to climate change and natural capital]

Climate change is one of the global challenges and it is also a significant issue for the Kirin Group. We use agricultural products and water as raw materials and benefit from the blessings of nature in our business activities. Recognizing this, and in light of the recommendations issued in 2017 by the Task Force on Climate-related Financial Disclosures (TCFD), the Kirin Group commenced a scenario analysis and disclosed the results of the analysis in 2018 ahead of industry peers. In 2022, the Group disclosed information according to the Locate-Evaluate-Assess-Prepare (LEAP) approach of the Beta version of the Taskforce on Nature-related Financial Disclosures (TNFD) framework ahead of other companies in the world. In 2023, we provided holistic disclosure on climate change and natural capital by integrating TCFD and TNFD frameworks. By applying this holistic approach to environmental issues including climate change and natural capital, the Kirin Group will strengthen its resilience and lead the way to decarbonization and nature-positive.

Governance	Description	☐ The Board deliberates and makes resolutions on basic policies, medium to long term strategies, and annual plans on the overall environmental issues, as well as material non-financial targets and KPIs including environmental ones. Through progress monitoring of non-financial targets, the Board supervises every quarter the execution of the Group’s operations on environmental issues, such as climate change, natural capital, and circular economy. The Board monthly monitors the risks and opportunities assessed and identified by operating companies, which are reported by the secretariat of the Group Risk and Compliance Committee, and makes resolutions on identified significant risks and material issues. In this way, the Board supervises the effectiveness of environmental management. ☐ Meanwhile, the Group Executive Committee deliberates and makes resolutions on setting and revision of significant targets of environmental issues including climate issues and natural capital, as well as investment plans. In 2022, the Group Environmental Meeting was established under the Group CSV Committee, chaired by the Officer in Charge of CSV strategy and consisting of related officers and division managers. The Group Environmental Meeting monitors the progress of roadmaps established for each environmental issue and discusses related policies, strategies, and plans, contributing to building a stronger system. The details of discussions are brought up or reported to the Group CSV Committee and the Board as necessary. * The details of the Group CSV Committee and the reflection of environmental issues in the remuneration for officers are stated in “(1) Overall sustainability issues.”
	Progress	☐ The frequency of the Group CSV Committee meetings was increased (from one to three times a year) (in 2022). ☐ The Group Environmental Meeting (twice a year) was newly established under the Group CSV Committee (in 2022).

Strategy	Description	We understand that the conservation and restoration of natural capital is a “nature-based solution to social issues” that can be used as climate change mitigation and adaptation measures, while global warming, changes in rainfall, and natural disasters caused by climate change have a significant impact on agricultural products and water, which are our important raw materials. Then, we utilize a holistic approach to solve environmental issues by leveraging our R&D and engineering capabilities. ☐ In terms of climate change, we have set the net zero target in 2050 in the Kirin Group’s Environmental Vision 2050, which was revised in 2020 with the results of TCFD scenario analyses as inputs. We have updated our interim targets to reflect the science-based target (SBT) of 1.5°C and joining RE100 (both in 2020). In addition to our own reduction, we will promote encouraging business partners to reduce emissions as well. ☐ Regarding natural capital, with consideration given to “location -specific” and “dependency”, we will procure sustainable raw materials and agricultural products and use water resources while utilizing the LEAP approach proposed by TNFD under the Action Plan for Sustainable Use of Biological Resources. We will also improve the business resilience by leveraging the approach as a measure to mitigate climate change issues. ☐ In the area of containers and packaging, we will contribute to building a society in which plastics are recycled by achieving the target of 50% recycling rate of resin for PET bottles in Japan by 2027 and developing sustainable containers and packaging. We also aim to reduce Scope 3 GHG emissions and the impact on the natural environment. ☐ To forge ahead with our holistic approach to environmental issues, such as climate change and natural capital, and to contribute to the formulation of rules, we are involved in: • Alliance To End Plastic Waste (Joined in 2021) • Corporate Engagement Program of SBTs for Nature (Joined in 2021 as the first in the medical/food industry in Japan) • TNFD scenario analysis pilot test (Involved in the TNFD Forum since 2021 and in the pilot test since 2022. Registered as a TNFD Adopter in 2023.)
	Progress	☐ We have gained a more accurate understanding of the financial impact of climate change through a range of efforts, such as analyzing and assessing asset risks and opportunities in the course of scenario analyses conducted in full compliance with the new TCFD guidance.[*1] We have also conducted assessment to identify the dependency, impacts, risks, and opportunities of natural capital, providing holistic disclosure on the financial impact of climate change and natural capital (in 2023). ☐ As climate change mitigation measures, Kirin Holdings has formulated a roadmap to reducing GHG emissions until 2030 (in 2023), has finalized the reduction targets and paths for Group companies, and has started to work toward these targets. The major initiatives include the following: • We have installed PPA-based (except for Yokohama Plant) large-scale solar power generation systems in all plants of Kirin Brewery (in 2021), Kyowa Kirin’s Ube Plant, and Mercian’s Fujisawa Plant (in 2023). We have also raised the percentage of renewable energy in the entire energy procured to 100% at Kyowa Kirin’s Takasaki Plant, all production sites of Lion in Australia and New Zealand (in 2023), all wineries of Chateau Mercian (in 2022), and all plants and all sales sites of Kirin Brewery (in 2024). • Kirin Holdings received SBT’s net zero certification for the first time as a food company in the world (in 2022). • We are currently promoting GHG emissions reduction throughout the value chain, including considering the procurement of low-GHG-emission raw agricultural products and materials and increasing the recycling rate of resin for PET bottles. We have planned reductions with an emphasis on engagement, such as jointly discussing reduction measures based on each company’s reduction plan and reduction progress identified through questionnaires to major suppliers (in 2023). ☐ As adaptation measures, we have supported tea farmers in acquiring sustainable agriculture certifications in Sri Lanka and have continued appropriate water conservation with water stress taken into account. ☐ As for business opportunities related to climate change, we launched a carbon-neutral alcohol-free beer XXXX Zero (in 2022), which was the first of its kind in Australia. We have also expanded our product line-up in collaboration with external companies we have partnered in the field of food with claims for immune function and have continued research on ways to protect against infectious diseases, such as dengue fever and COVID-19, which risk is projected to grow due to the climate change. ☐ In the area of natural capital, we have initiated the development of the Regenerative Tea Scorecard jointly with Rainforest Alliance in Sri Lanka to gain insights into and promote regenerative agriculture that contributes to climate change mitigation and adaptation. Mariko Vineyard was officially approved in 2023 by the Ministry of the Environment as a socio-ecological production landscapes and seascapes (SEPLS) site that contributes to the “30 by 30” target adopted as a new global goal at the 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15). The results of the scenario analyses we jointly conducted with TNFD at New

		Belgium Brewery in Colorado, the U.S., were introduced in a "discussion paper" for the Beta version of the TNFD framework. The case of our response to water resources in Australia was also introduced in the final version of the TNFD framework disclosed in September 2023.

<table>
<tr><td rowspan="2">Risk management</td><td>Description</td><td>☐ We have established the Group Risk and Compliance Committee to oversee environmental risks and opportunities such as climate change, natural capital, and laws and regulations as part of the risk management covering other sustainability issues, and to discuss basic policies of risk management.
* The details of risk management are stated in “3. BUSINESS RISK FACTORS.”</td></tr>
<tr><td>Progress</td><td>☐ We reviewed our approach to each critical event, and have transitioned to the all-hazard approach to business continuity planning whereby we work out countermeasures with a focus on the loss of management resources (since 2021).
☐ We use risk assessment tools based on scientific evidence for scenario analysis, including various research papers and Aqueduct. In 2023, we started to use ENCORE, IBAT, and other tools recommended by TNFD.</td></tr>
<tr><td rowspan="3">Metrics and targets</td><td>Climate change targets</td><td>
<table>
<tr><th>Item</th><th>Targets</th><th>Results*2</th></tr>
<tr><td>GHG emissions across value chain</td><td>Net zero (2050)</td><td>4,876 thousand tons CO_2e</td></tr>
<tr><td>Scope 1+2</td><td>50% reduction (in 2030 from 2019)</td><td>18% reduction</td></tr>
<tr><td>Scope 3*3</td><td>30% reduction (in 2030 from 2019)</td><td>1% reduction</td></tr>
<tr><td>Percentage of renewable energy in total energy consumption</td><td>100% (2040)</td><td>27%</td></tr>
</table>
</td></tr>
<tr><td>Natural capital targets</td><td>
<table>
<tr><th>Item</th><th>Targets</th><th>Results*2</th></tr>
<tr><td>Number of large farms in Sri Lanka that received training for the acquisition of certification</td><td>Cumulative total 15 farms (2022–2024)</td><td>4 farms</td></tr>
<tr><td>Number of small farms in Sri Lanka that received training for the acquisition of certification</td><td>Cumulative total 5,350 farms (2022–2024)</td><td>9 farms</td></tr>
<tr><td>Ratio of certified palm oil in Japan</td><td>Maintain 100%</td><td>100%</td></tr>
<tr><td>Lion water efficiency (Oceania region)</td><td>2.4 kl/kl (2025)</td><td>3.6 kl/kl</td></tr>
</table>
</td></tr>
<tr><td>Container/ package targets</td><td>
<table>
<tr><th>Item</th><th>Targets</th><th>Results*2</th></tr>
<tr><td>Recycling rate of resin for PET bottles</td><td>50% (2027)</td><td>8.3%</td></tr>
<tr><td>Ratio of FSC-certified paper used in the Japan Non-Alcoholic Beverages Businesses (paper and prints)</td><td>Maintain 100%</td><td>100%</td></tr>
</table>
</td></tr>
</table>

*1 *TCFD Guidance on Metrics, Targets, and Transition Plans* and *Implementation of TCFD Recommendations (2021)* published in October 2021

*2 Results as of the end of 2022

*3 IDEA Ver. 2.3 and Ver. 3.1 of the National Institute of Advanced Industrial Science and Technology used for Scope 3 calculations in each fiscal year

Business impact assessment of risks and opportunities, and response strategies

Through the continual scenario analyses on climate change since 2017, we have improved our level of understanding of risks and opportunities from climate change and our strategies. In 2023, we estimated the impact of natural capital and containers and packaging taking into account the dependency, impacts, and other factors, providing holistic disclosure on the estimates.

Analysis of financial impact

	Business risks/ Social issues	Financial impact	Response
Physical risk	Decline in yields of agricultural products	2°C scenario: Approx. 1.1 billion yen to 3.0 billion yen 4°C scenario: Approx. 3.2 billion yen to 10.4 billion yen (2050)[*4]	• Brewing technology that does not rely on barley • Mass plant propagation technologies • Support for farms to acquire certification for sustainable agriculture
	Disruptions to operations owing to floods	Approx. 1.0 billion yen (once-in-200-year disaster, a total of 20 locations in Japan)	• Sharing of knowledge concerning responses to floods • Capital investment for flooding at facilities
	Disruptions to operations owing to droughts	Approx. 0.03 billion yen to 0.6 billion yen	• Sharing of knowledge concerning responses to droughts • Advanced technologies for water use reduction
	Negative impact of PET bottles	Approx. 1.1 billion yen	• Expansion of mechanical recycling • Establishment of a chemical recycling manufacturing technology
Transition risk	Financial impact of energy due to carbon pricing	2°C scenario: Approx. 7.7 billion yen 4°C scenario: Approx. 1.2 billion yen (2030)[*5]	• Realization of GHG emissions • Profit and loss neutral energy conversion
	Financial impact of agricultural products due to carbon pricing	2°C scenario: Approx. 0.9 billion yen to 2.1 billion yen 4°C scenario: Approx. 4.0 billion yen to 7.6 billion yen (2050)[*6]	• Mass plant propagation technologies • Support for farms to acquire certification for sustainable agriculture
	Procurement of certified products	Approx. 0.06 billion yen	• Support for farms to acquire certification for sustainable agriculture • Procurement of sustainable raw materials
Business opportunities	Maintenance of immune system for healthy people	Immunity & health supplement markets: 28,961.4 million USD (2030)	• Contributions in the Health Science domain
	Prevention of heatstroke	Market for non-alcoholic beverages that prevent heatstroke: 94 billion yen to 188 billion yen (2100, 4°C scenario)	• Contributions to preventing heatstroke with provision of non-alcoholic beverages
	Reduction of food waste	Approx. 0.9 billion yen	• Reduction of product disposing
	Financial impact of reduction of chemical fertilizer and pesticide in coffee farms in Vietnam	Approx. 0.11 billion yen[*7]	• Enhancement of engagement

*4 Assessed using 25–75 percentile range of the distribution of forecast data for price fluctuations

*5 In cases where GHG emissions were not reduced

*6 Assessed using 25–75 percentile range of the distribution of forecast data for price fluctuations

*7 Estimated based on hearing from local coffee farms

During 2022 and 2023, we analyzed the impact of climate change on assets, which is required in the TCFD's new guidance. The analysis shows that the impact of such factors as the divestment of a business and natural disasters are insignificant.

	Items subject to analysis	Impact
Impact from acquisition, divestment, or policy (GHG emissions reduction required for achieving SBT 1.5°C target by 2030)	Before the divestment of Lion-Dairy & Drinks, and our business in Myanmar	515 thousand tons CO_2e
	After the divestment[*8]	463 thousand tons CO_2e
Assets exposed to risk	Exposure to once-in-200-year disasters across 20 locations in Japan[*9]	Approx. 1.0 billion yen
	Residual value of related facilities[*10]	Approx. 1.1 billion yen

*8 We have concluded that while the probability of achieving the target has tended to increase slightly, the impact on necessary investments/expenses is not significant

*9 This is the result of the calculation based on the natural disaster model AIR flood simulation. While the exposure to natural disasters is also considered small, we will conduct on-site and other surveys and assess whether we should take out insurance on these business sites.

*10 We have concluded that it is unlikely that we will need to replace these facilities before their useful life due primarily to changes in laws and regulations and social situations in the face of climate change.

For reference, the total residual value of boilers held by Kirin Brewery, Kirin Beverage, and Mercian, and trucks held by Group logistics companies is presented

Transition plan

The Kirin Group formulated a roadmap to mitigating climate change, and has implemented the roadmap since January 2022 through deliberation and resolution at the Group Executive Committee. In the area of natural capital, we have discussed the creation of a roadmap for "nature-based solutions to social issues" including climate change mitigation and adaptation in addition to ecosystem conservation. In terms of PET bottles, we have formulated and commenced operation of a roadmap to achieving the target of 50% recycling rate of resin in Japan in 2027.

<table>
<tr><td>Scope 1 and Scope 2 emissions reduction</td><td>☐ Promotion of energy conservation, expansion of renewable energy, and energy transition are three major themes.
☐ Until 2030, we will mainly focus on driving energy conservation and expanding the percentage of renewable energy.
☐ In 2030 and later, we expect to convert the combustion fuels used in producing steam for brewing and manufacturing processes from fossil fuels to hydrogen and other fuels.
☐ We will prioritize "additionality" whereby we create and increase new renewable energy power sources in the world and "ethicality" whereby we use energy from the perspective of the environmental impact and human rights.

Actual and planned GHG emissions reduction by operating company*11 (Unit: thousand tCO_2e)
<table>
<tr><th></th><th>2019</th><th>2021</th><th>2024</th><th>2030</th></tr>
<tr><td>Kirin Brewery</td><td>199</td><td>184</td><td>140</td><td>90</td></tr>
<tr><td>Kirin Beverage</td><td>45</td><td>40</td><td>37</td><td>20</td></tr>
<tr><td>Mercian</td><td>60</td><td>59</td><td>45</td><td>27</td></tr>
<tr><td>Lion</td><td>114</td><td>84</td><td>74</td><td>51</td></tr>
<tr><td>Kyowa Kirin</td><td>56</td><td>41</td><td>27</td><td>25</td></tr>
<tr><td>Kyowa Hakko Bio</td><td>243</td><td>201</td><td>165</td><td>109</td></tr>
</table>
*11 Actual reduction for 2019-2021, and estimated reduction for 2024 and later as of the date the roadmap was formulated in 2022, which are subject to change as appropriate in the future.</td></tr>
<tr><td>Scope 3 emissions reduction</td><td>☐ Of the categories defined in the GHG Protocol, we have identified the following categories as the areas of focus: Category 1 (manufacture of ingredients and materials) making up the largest proportion of the total emissions at approximately 60%, Category 4 (transport) making up the second largest proportion, and Category 9 (distribution).
☐ In "Encouragement of reduction at business partners," based on the emissions reduction plan and the status of progress in both quantitative and qualitative terms at each company, obtained through questionnaires to major suppliers, we plan to reduce emissions with an emphasis on engagement. In addition to transitioning to the use of ingredients and materials with low GHG emissions, we are working with our supply chain to reduce emissions by, for example, informing suppliers of measures to further reduce GHG emissions.
☐ In "Reduction of our own independent emissions," we make containers and packaging lighter and raise the percentage of recycled resin in PET bottles by leveraging the competence of our own research institute to develop containers and packaging in-house.</td></tr>
</table>

Investment plan

Until 2030, our basic principle for environmental investment is profit and loss neutral. Specifically, we will offset increases in depreciation from investments and the incremental cost of procuring renewable energy with cost benefits derived from energy saving. We utilize Net Present Value (NPV) as an indicator for environmental investments aimed mainly at reducing GHG emissions and have incorporated Internal Carbon Pricing (ICP: \$63/tCO2e) into our framework for making investment decisions. We issued green bonds (totaling 10 billion yen during 2020 and 2024) to finance the procurement of recycled PET resin and the introduction of heat pump systems at plants. Then, in January 2023, we financed the projects related to energy saving and renewable energy, which we are promoting to reduce Scope 1 and 2 GHG emissions, with a transition-linked loan (totaling 50 billion yen during 2022 and 2042) for the first time as a food company in Japan. The loan is subject to the FY2022 subsidy for global warming countermeasures promotion project and the performance-linked interest subsidies program of the Ministry of Economy, Trade and Industry based on the Act on Strengthening Industrial Competitiveness (financial support for promoting the transition towards achieving a carbon-neutral economy). In 2022, we allocated 4.4 billion yen for energy conservation, 1.4 billion yen for expansion of renewable energy (no allocation for energy conversion). In 2023, we allocated 5.1 billion yen for energy conservation, 2 billion yen for expansion of renewable energy (no allocation for energy conversion).

Planned investments as part of the roadmap for addressing climate change[*12] (Unit: billion yen)

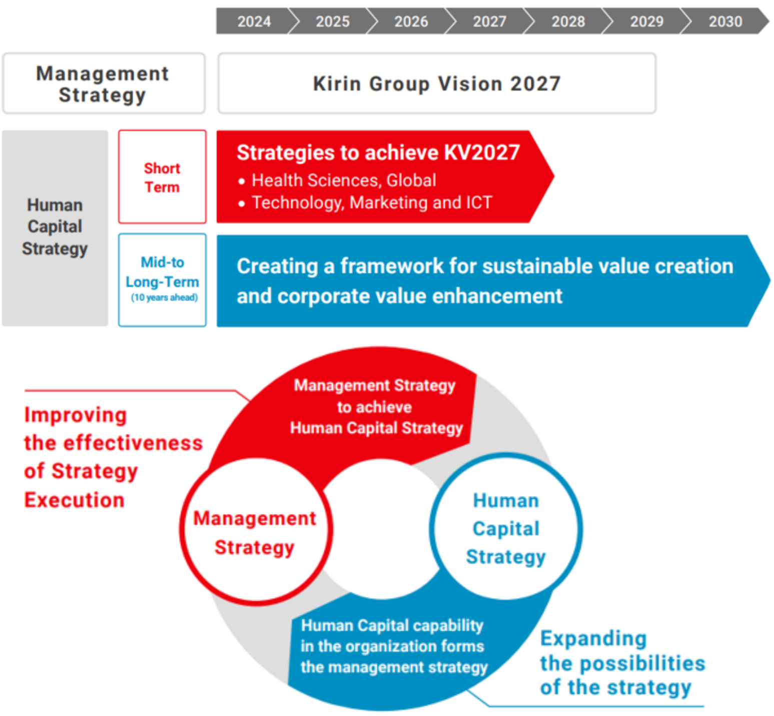
	2019–2021 MTBP	2022–2024 MTBP	2025–2027 MTBP	2028–2030 MTBP
Investment in/measures for energy saving	1.5	7.4	10.4	4.8
Increased use of renewable energy[*13]	1.5	15.0	23.7	36.2
Energy conversion	0	0	0.9	1.2
Total amount	3.0	22.4	35.0	42.2

*12 Figures for 2019–2021 MTBP are actual results, while figures for 2022–2030 are estimates as of the origination of the transition-linked loan and thus are subject to change in the future.

*13 Increased use of renewable energy includes the amounts of all investments related to the procurement of electricity from renewable energy sources.

[Approach to human capital]

The environment surrounding human capital strategies is changing significantly, both in and out of the company, and the Kirin Group's human capital strategy is also undergoing a major transition. Coupled with the changing living environment and the diversifying individual values, the labor market environment, including working styles, is also changing dramatically. Furthermore, the kind of human capital our Group desires for the implementation of our management strategy is changing due to the transformation of our business portfolio. The need to transform businesses and challenge new domains is true for not only the Health Science domain, which is our growth driver, but also for the existing businesses in the Food & Beverage and Pharmaceutical domains. It is also necessary for all Group members to become agents of change toward ambidextrous management. Once again, by placing importance on human capital as the source of value creation and our competitive advantage and maximizing their value, our Group will strengthen our businesses and realize the Long-Term Management Vision, Kirin Group Vision 2027 (KV2027); our Group's sustainable growth; and value creation.

<table>
<tr><th>Category</th><th>Description</th></tr>
<tr><td>Strategy</td><td>
1. The aim of the Kirin Group's human capital strategy
By placing importance on human capital as the source of value creation and our competitive advantage and investing in them, we aim to become a company where human capital grows and wins through human capital.
At the Kirin Group, we believe that our management strategies define the direction we take in terms of our human capital strategies. At the same time, we also believe that our human capital capabilities constitute an important element when it comes to the formulation of management strategies and serve to expand the potential of our management strategies. As a source of competitive advantage, we will go about developing human capital that are characterized by diversity and expertise while at the same time having said talent accumulate a diverse array of business experience through our unique business portfolio (which spans from the Food & Beverages domain to the Health Science domain and Pharmaceuticals domain) and help them improve their expertise when it comes to marketing, R&D, and ICT.
Furthermore, we will go about creating an environment which fosters an organizational culture that embraces diversity and supports the nurturing of people who are motivated to grow. Efforts to that end will include hiring external human capital and people with disabilities and promoting the active participation of women in the workplace. By doing this, we will increase the motivation of each individual when it comes to taking on challenges and subsequently increase opportunities to spur innovation.


2. Recognizing human capital strategy issues from the perspective of Group management issues
The short-term goals of the human capital strategy are to strengthen organizational capabilities and improve the effectiveness of strategy execution in line with the transformation of the business portfolio. In the medium-term, we will improve future corporate value by producing specialized and diverse human capital. At this time, we are focused on the five following issues:
</td></tr>
</table>

① Strengthen organizational capabilities in line with the business portfolio transformation (Health Sciences, New Businesses, etc.)

② Human capital management focused on expertise and diversity is required when looking ahead in times of an uncertain future

③ Create a culture that supports and strengthens human capital who can accomplish and innovate = capability to execute the strategy to achieve the advanced strategies

④ Create job satisfaction in response to changes in the labor market and individual values

⑤ Strategic evolution through communication with the stakeholders, with an opportunity on attention on human capital

3. Overall picture of the human capital strategy

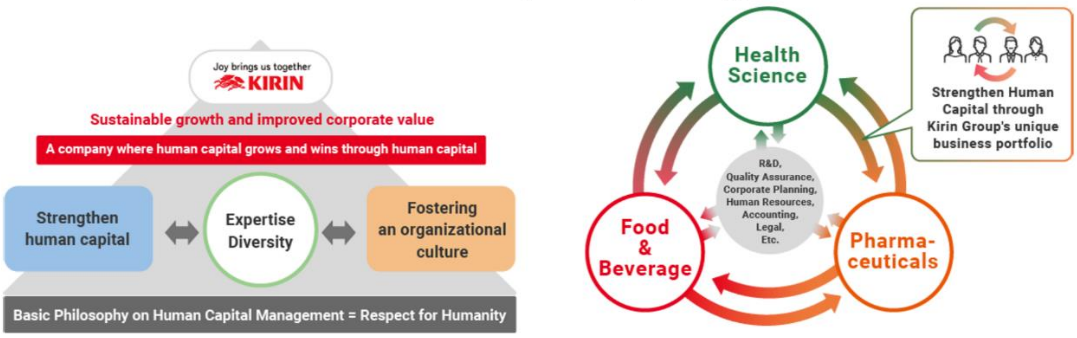
The keys to implementing the human capital strategy are expertise and diversity. In the VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) generation, it is necessary to better the expertise and diversity of both human capital and the organization to accelerate innovation. In doing this, it is important to look at everyone's motivation to grow and the collaboration and co-creation of diverse human capital.

Regarding human capital, by sympathizing with the Group Corporate Philosophy and Purpose, which are important to the Kirin Group, and promoting Will-driven self-reliant growth, which will lead to their own growth and contribute to the Group, they will invoke their motivation to grow through self-reliant learning and challenging and will raise their expertise. Additionally, by refining diverse perspectives and values through cross-business secondments based on expertise, opportunities to challenge advanced and wide-spread issues, etc., we will enhance our ability to strengthen our human capital as an organization.

Furthermore, we will take advantage of our unique business portfolio, which is expanding globally in a wide range of domains from the Food & Beverages domain to the Health Science and Pharmaceuticals domains, to raise the mobility of diverse human capital with cross-business expertise. We will also provide more opportunities for collaboration and co-creation among diverse human capital to enhance expertise and diversity as an organization that is more than just its individuals and teams. By doing all of the above, we aim to acquire the organizational capabilities and to foster an organizational culture that allows us to continue innovating.

In this way, the story that connects the enhancement of the motivation of individuals, who continue to autonomously learn and challenge themselves, as well as the collaboration and co-creation of diverse human capital to innovation, will be reflected in our future efforts to create challenges unique to the Kirin Group.

Overview of the Kirin Group's human capital strategy



Important points of the human capital strategy

Strengthening of human capital	Fostering an organizational culture
In aim of sustainable business growth, the Group will pursue the type of human capital management that facilities the development of human capital who satisfy our requirements in terms of both expertise and diversity and excel in making decisions, adapting to changes, and creating ideas. Initiative examples: ・ The Group will transition to function-centered talent management so as to develop specialized talent conducive to executing the Group's strategies (recruitment, development, and assignment). ・ The Group will identify human capital who have been successful on a functional basis and build a candidate pool of top management members including young employees. Top management and the People & Culture Department will work together to foster such candidates based on the criteria required. ・ The Group will establish an environment that supports employees' growth based on their self-reliant career development (by increasing opportunities for employees to apply for new positions offered via an in-house recruitment system, initiatives to enhance the support for fostering leadership candidates, etc.) and accelerate our personnel development cycle which helps employees to produce outcomes and growth through business experience to improve the support of leaders and growth started from autonomous career formation.	The Group will foster an environment/culture that helps human capital with diverse values and expertise to grow by taking on new challenges as well as attracts such human capital. Initiative examples: ・ In order to transform into an organizational culture that supports and strengthens human capital who can accomplish and innovate, diverse human capital will pool together their wisdom to work toward our goal, and we will transform into an organization that is valued for taking on challenges and the results of those challenges by practicing leadership roles (target achievement and human capital training) at a high level. ・ To build an environment where diverse human capital transform their differences into strengths and it feels easy to take on new challenges, the Group will make a step forward from "Diversity & Inclusion" to "Diversity, Equity & Inclusion." ・ ・With the aim of building an organizational culture where each and every one of our employees can feel they have grown (Career realization, community connections, contributions to the company) by working with the Kirin Group, the Group will intensify our efforts to forge an empathy among our employees to the Group's Corporate Philosophy and Purpose, as well as a sense of attachment to and pride in the organization.

《Examples of our Initiatives》

■Penetration of group philosophy and fostering a sense of group unity

Kirin Group holds the "Killing Group Award" every year to recognize initiatives that embody the group's philosophy and values. Starting from 2023, the award has been revamped to focus on employees as the main protagonists in order to foster a stronger sense of group unity (with 98 entries received and 1,200 online viewers on the day of the event). By creating a space where employees can empathize and resonate with the award-winning cases, we aim to unleash group synergy that transcends countries, regions, and businesses.

■Achieving diversity of the organization and self through cross-boundary learning

We aim to develop individuals' self-reliant careers and diversity of the organization and individual through cross-boundary learning. Without limiting ourselves to the experiences and values of only our company, we will gain new perspectives and values through connections with the community. Furthermore, by bringing in human capital with differing values, our organization will become more diverse.

Specifically, in 2019 we started the Work-abroad program, and in 2020 we lifted the ban on side jobs and started to accept people to work side jobs with us (174 employees currently hold side jobs). *In 2021 we have been participating in the Consortium for Career Ownership and the Future of Work, a mutual side job initiative between companies. Additionally, we are participating in the Consortium for Human Capital Management, established in August 2022, and, with the support of the Ministry of Economy, Trade and Industry, promoting the sustainable value creation of Japanese companies.

*The number of approved side jobs between July 2020 and December 2023 (includes employees from Kirin Holdings; Kirin Brewery; Kirin Beverage Company, Limited; and Mercian Corporation)

4. Kirin Group’s Basic Philosophy on Human Capital Management

At the foundation of the Kirin Group’s human capital strategy, is our Basic Philosophy on Human Capital Management. While the human capital strategy is undergoing a significant transformation, our Basic Philosophy on Human Capital Management, “Respect for Humanity,” will remain the same. Our belief in valuing the infinite possibilities of humans also aligns with Kirin Brewery Company, Limited’s brewing philosophy, “Reverence for Life.” With boundless potential, each employee can grow through work by challenging themselves to create new value and actively working, and we can provide a continuously expanding environment.

Metrics and targets

The Kirin Group, in its KV2027, has set Employees (employee engagement, the degree of improvement in diversity, Lost Time Incident Rate) as one of its non-financial metrics, and has also linked it to the Officers' remuneration. We will also endeavor to disclose information related to human capital and to dialogue with stakeholders.

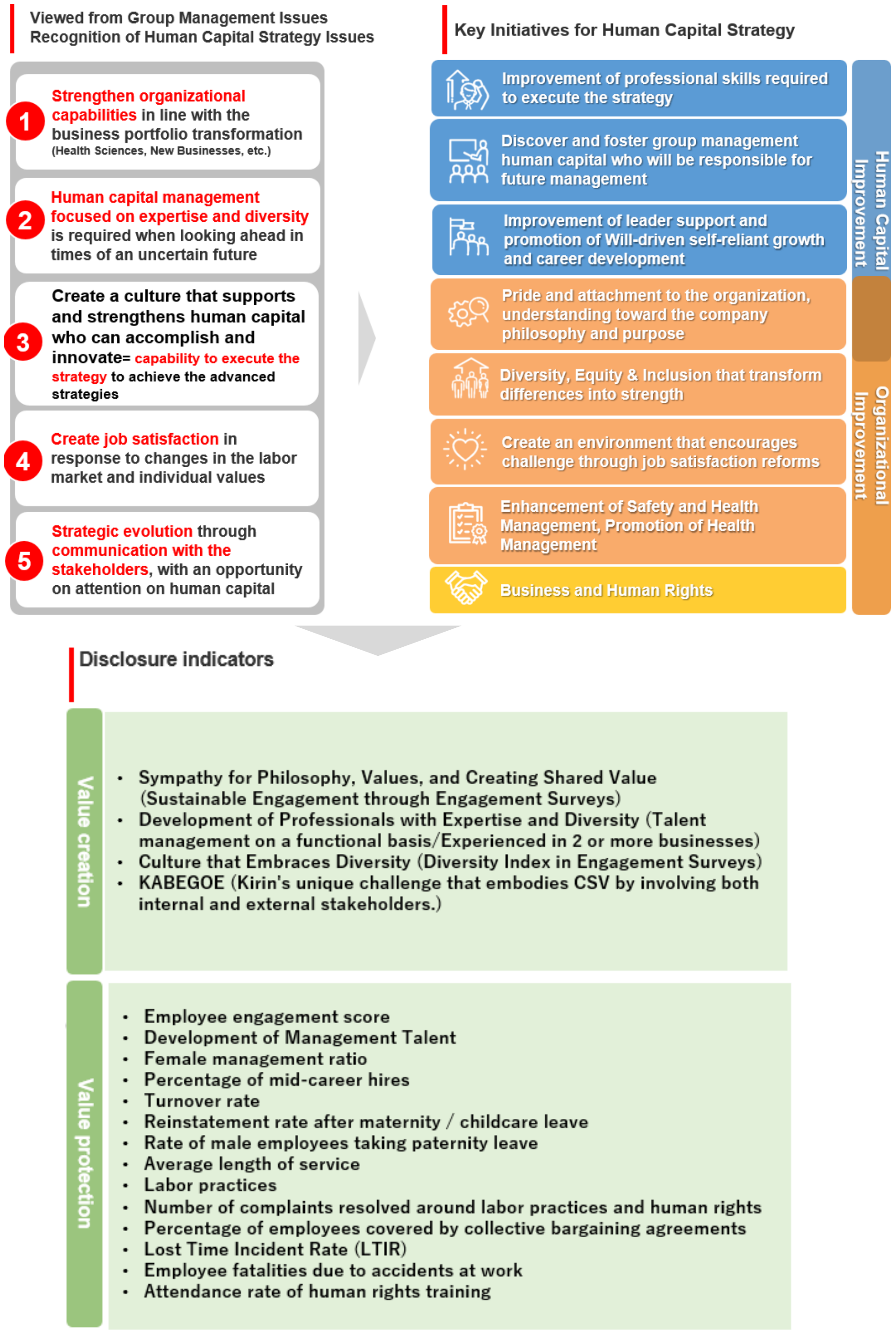
Non-financial metric "Employees"	Targets for 2024	Results for 2023
Employee engagement	75%	70%
Percentage of female managers	15.0%	13.6%※1
Percentage of career hires	30.0%	45.4%※1
Lost Time Incident Rate	0.95	1.42

As of December 31, 2023

Notes:

*1 The percentages of female managers and career hires within the scope of aggregation are all employees of Kirin Holdings.

Human capital disclosure index



3. BUSINESS RISK FACTORS

(1) APPROACH TO RISK MANAGEMENT

The Kirin Group defines risk as uncertainty with the potential to seriously impede the accomplishment of business targets or impact business continuity. The Group also defines crisis as risk manifested at a certain point and requiring urgent action. The Group's fundamental risk management policy is to identify and appropriately control various risks that occur in the course of business activities by establishing and operating a risk management system under the following concepts so that we can earn long-lasting trust of our customers, employees, shareholders, and society. Risk information is disclosed in a timely and appropriate manner on our corporate website and through other means.

Basic policies

1) Under the Corporate Philosophy and the values, the Kirin Group implements risk management to accomplish business targets, ensure business continuity, fulfill the corporate responsibility to society, and enhance the corporate value over the medium to long term.
2) The Group views strategy and risk as two sides of the same coin to implement appropriate risk taking.
3) The Group builds an organization and systems that promote risk management and seek to improve the organization's ability to adapt flexibly to environmental changes.
4) The Group identifies risks from normal times, identify various risks associated with business activities, conduct risk identification, analysis, evaluation, prevention and monitoring, and take appropriate responses (retention, reduction, avoidance, and transfer) to risks.
5) Recognizing that risk management is an activity in which all employees participate and are involved, the Group increases their awareness of risks through awareness raising activities including education and training.
6) The Group enforces crisis prevention and minimize its impact through early detection, prompt reporting, information sharing, and immediate response. After responding to a crisis, if any, the Group analyzes the cause and countermeasures to prevent a recurrence.
7) The Group discloses information on risks surrounding the Group, including their details and countermeasures, to stakeholders in a timely and appropriate manner.

(2) RISK MANAGEMENT STRUCTURE AND PROCESS FOR DETERMINING AND MONITORING MAJOR RISKS

The Group has established the Group Risk and Compliance Committee consisting of Kirin Holding's Senior Executive Officers or higher and chaired by the Executive Officer in Charge of Risk. The committee oversees the Group's risk management activities, including collecting risk information, setting the Group's risk policy, introducing risk reduction measures, communicating the information and considering countermeasures when a crisis occurs, and providing necessary instructions and support to Group companies. The Board also oversees the effectiveness of risk management through deliberations and reports on the Group's major risks. (Figure 1)
To identify the Group's major risks, each Group company examines and identifies risks related to its strategy and business execution and risks that could develop into a serious crisis based on the Kirin Group's risk management policy set for each fiscal year. Kirin Holdings aggregates these business-specific risks and investigates common risks across the Group. The Group Risk and Compliance Committee assesses the potential quantitative and qualitative impacts of major risks, such as economic losses, business continuity, and damage to reputation, from the perspective of overall Group management and classifies the risks in terms of priority, taking into account the likelihood of occurrence. The Board deliberates the assessments and determines the major risks for the Group. (Figure 2)
The Group's major risks are managed centrally on a risk map based on their degree of impact and likelihood of occurrence. With regard to the most major risks, the Board also takes stock of changes in risk conditions and reviews measures against these risks. (Figure 3) Kirin Holdings and the Group companies frame and implement measures tailored to each risk. Meanwhile, Kirin Holdings provides necessary support and instructions to Group companies, and Group companies report and consult with Kirin Holdings, thereby promoting and operating risk management in cooperation with each other. Each Group company and Kirin Holdings monitor the status of both strategies and risks from the dual perspectives of business and function to manage and control strategic risks. At the same time, we have put in place a risk management system that is designed to prevent the manifestation of risks that could develop into a crisis and minimize any potential negative impact when such a crisis occurs. (Figure 4)

Figure 1

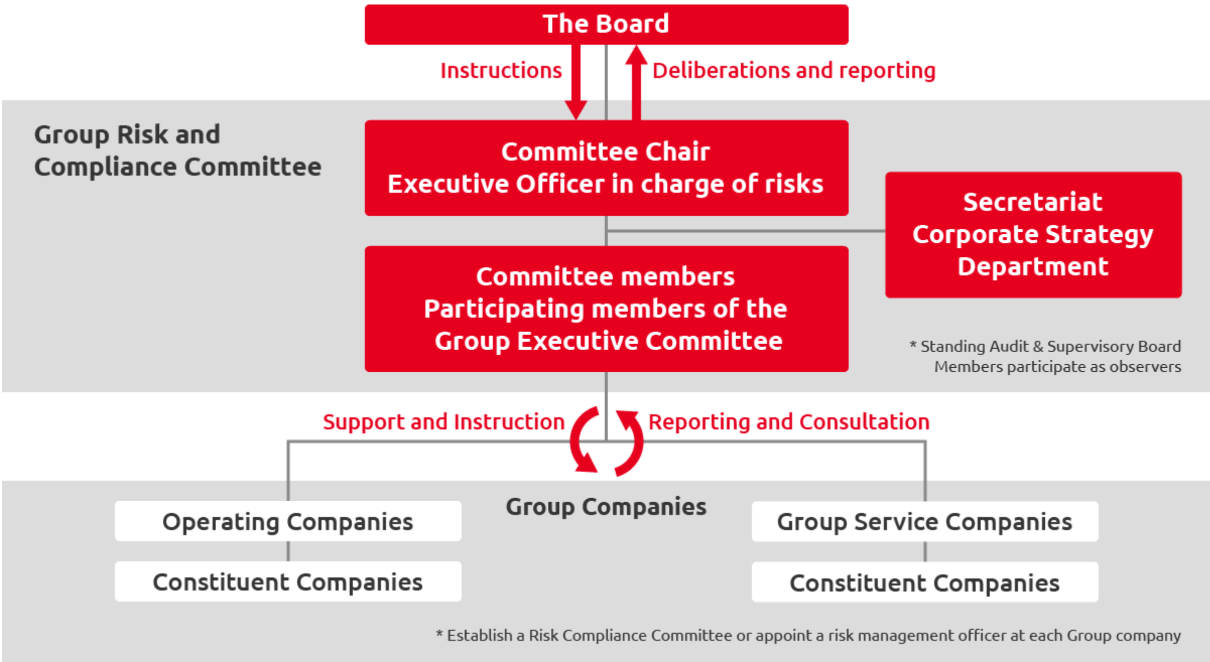


Figure 2

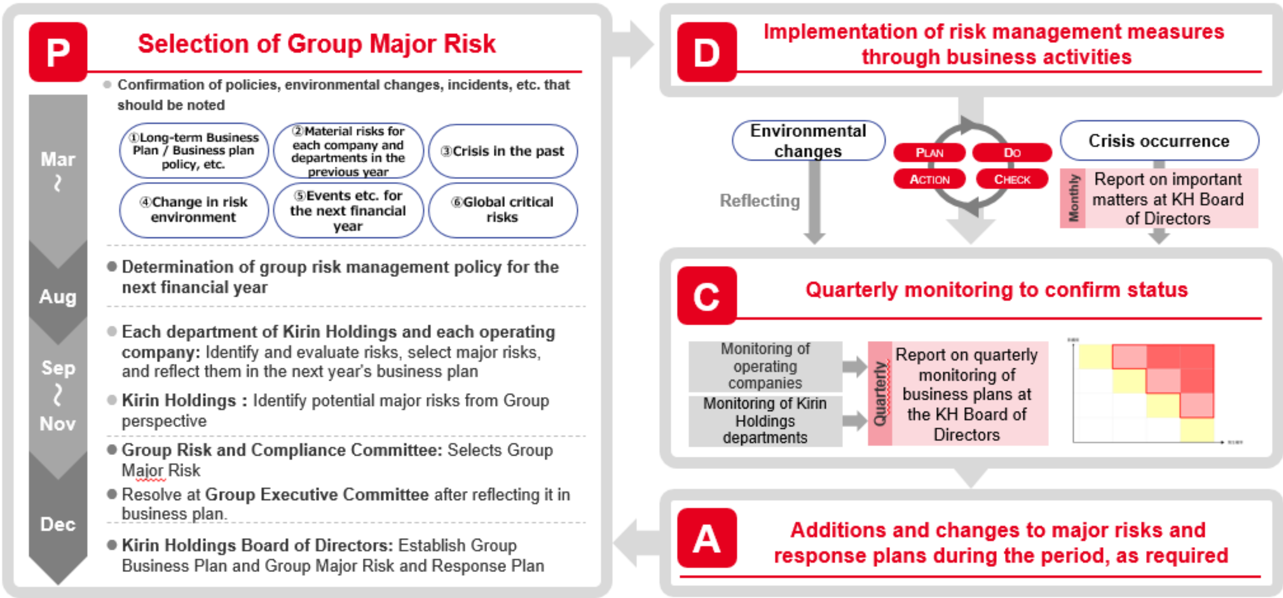


Figure 3

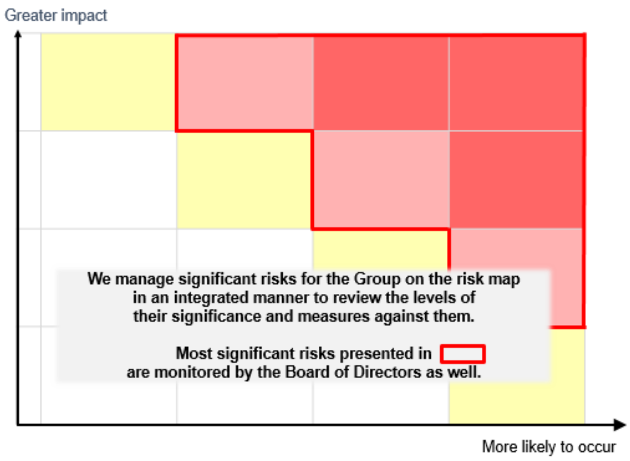
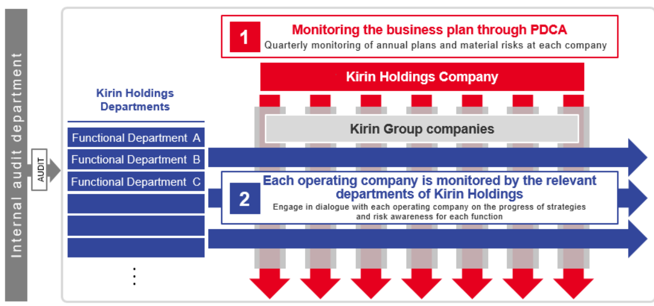


Figure 4



(3) KIRIN GROUP MAJOR RISKS

Below is a list of key matters presenting risk to the Kirin Group strategies, businesses, and other activities, which could significantly impact investor assessment of the Group. These major risks are described in categories of “Risks in each business domain” and “Risks common to each business domain.” Please note that matters determined to present potential risk in the future are based on the judgment of the Company as of the end of this fiscal year unless otherwise stated.

1) Risks in each business domain

<table>
<tr><th>Business area</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Food & Beverages</td><td>• Risks related to responses to business environment changes
• Risks related to hikes in raw materials and fuel prices
• Risks related to failure of new businesses</td><td>• Sales targets fall short due to changes in the market environment and preferences, fluctuations in product prices, actions of competitors or other factors.
• An increase in procurement costs due to hikes in raw materials and fuel prices affects manufacturing costs.
• New businesses fail to penetrate the market, resulting in a downturn in sales and profits and a delay in business plans.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">The Food & Beverages domain, as Kirin Group’s main business domain, is expected to be seriously affected in the case of risk being actualized. For existing businesses in the Food & Beverages domain, we have implemented measures against risks based on the knowledge we have amassed on changes in business environments. Further, while, in new businesses, we are working to reduce risk by assuming the possibility of facing new risks that differ from those we have faced in the past and implementing countermeasures. Moreover, we consider the potential direct impact of hikes in raw materials and fuel prices attributable to geopolitical risks on our revenue and the impact of the success or failure of the expansion of high value-added products on our medium- to long-term business plans as the Group’s major risks. We will continue to closely monitor the situation and take appropriate risk control measures.
(Specific countermeasures are stated in “MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.”)</td></tr>
</table>

<table>
<tr><th>Business area</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Pharmaceu-ticals</td><td>• Risk associated with maximizing the value of global strategic products
• Risk related to product quality and stable supply
• Risk related to research and development
• Risk related to government measures to reduce medical costs</td><td>• The market penetration is not successful because of the expansion of the business area being slowed by delays in launch preparation and other factors, or difficulty in connecting with potential patients.
• Stable product supply is impeded by a sharp increase in demand or a tight supply and demand balance that raises concerns about product safety or quality.
• Growth potential and profitability in the future decline due to delayed enhancement of the pipeline
• Product prices are reduced due to pressure to lower medical costs in Japan and overseas and the ongoing shift to generic drugs is accelerated.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">In the Pharmaceuticals domain, to maximize the value of global strategic products, we are implementing initiatives to spur market uptake and expanding business reach, centered on the United States and Europe. We believe it is also important that we strengthen our foundations such as a product quality assurance system and a stable production and supply system. More specifically, we have worked to secure product quality through monitoring by the Global Quality Assurance Committee and implementing products quality audits by an independent team specialized in audit within the Group and contractors. Also, we are expanding its network of contractors, investing in Group plants, visualizing a demand and supply plan, rolling out digital technology to enhance manufacturing operational efficiency. Japan and other countries are under growing pressure to curb medical costs. We closely monitor healthcare policy trends in each country and are strategically exploring ways to evaluate the value of pharmaceutical products from various perspectives to ensure that we deliver life-changing pharmaceutical products to patients. We are also assessing how the pricing of products put on the market impacts our business to earn reasonable revenues and continue to create innovative pharmaceutical products in compliance with rules and regulations in each country.
(Further details are stated in the Annual Securities Report of Kyowa Kirin Co., Ltd.)</td></tr>
</table>

<table>
<tr><th>Business area</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Health Science</td><td>• Risk of not being able to provide differentiated products and services related to social issues
• Risk of delayed response to changes in the external environment, such as the competitive landscape
• Risk of lack of human resources and organizational capabilities to conduct business
• Risks associated with product quality assurance, safety, or stockouts</td><td>• The sales plan falls short due to the inability to formulate an effective business model.
• A value-creating and highly profitable business model cannot be established due to inability to develop synergies within the Group.
• Product shortages occur due to production not proceeding according to the production plan.
• Brands and reputations are damaged by quality problems, insufficient evidences, inappropriate information dissemination, and other factors.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">In the Health Science domain, we are working to build a business foundation for the future by placing the highest priority on the growth of Blackmores, a newly acquired company, and the creation of synergies within the Group. Particularly in the immunology domain that involves Foods with Function Claims (FFCs), we are working to early produce positive outcomes and establish a business model by establishing immune care habits in the daily lives of our customers, expanding their recognition of LC-Plasma, raising their awareness of its function, and revitalizing the market including licensing out. In promoting business in domains other than the existing domains, we will enhance our organizational capability and strengthen governance from a risk management viewpoint to ensure prompt and bold decision-making and also to enable timely and appropriate risk control.
(Specific countermeasures are stated in “MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.”)</td></tr>
</table>

2) Risks common to each business domain

<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Securing and training of human resources</td><td>• Risk of inability to adequately secure human resources to advance Group management and with a high level of expertise necessary for business activities
• Risk of inability to obtain understanding of the human resources management system from employees</td><td>• Organizational capabilities with competitive advantage are not achieved and management strategies cannot be promoted.
• Stagnant transition to an assumed system results in a decline in organizational capabilities, causing adverse effect in accomplishing management strategies.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">The Kirin Group sees human resources as a source of value creation. To acquire and nurture the human resources required for executing our management strategies, we will strive to build a human resources management system that places greater emphasis on professional expertise centered on function. In addition, we aim to nurture a corporate culture that attracts human resources with diverse values and expertise, embraces diversity, and transforms differences into strengths. Based on the recognition that diverse human resources and a corporate culture that encourages employees to take on new challenges constitute the foundation for companies, we will strengthen the linkage between our management strategies and human resources strategies from a medium- to long-term perspective and will strive to achieve the Group’s sustainable growth and improve its corporate value.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Information technology</td><td>• Risk that the Group will be inferior to competitors due to lack of progress in digital transformation (DX) initiatives
• Risk of falling behind in acquiring and training of DX experts</td><td>• Increased costs prevent the development and offering of products that meet customer needs, resulting in limited sales and profits.
• A shortage of employees required to promote DX results in a failure to increase organizational capability, delaying the achievement of positive outcomes of efficiency improvement and value creation.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">With the promotion of DX, the Kirin Group has been working to create new value by transforming business processes through the use of digital technology and data, improving the efficiency of existing operations, and promoting the use of the technology even in the processes for ensuring customer understanding and product and service development. We will strive to enhance our organizational structure and strengthen organizational capabilities to realize autonomous DX promotion in each Group company and division, by promoting internal human resource development through our unique programs and by securing specialized human resources necessary for DX promotion from outside the Group. We will continue to utilize and promote digital technology in all domains throughout the Group, leading to the creation of innovation.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Quality</td><td>• Risk of unexpected quality issues beyond the scope of quality assurance measures
• Risk of receiving orders for improvement or administrative guidance from authorities concerned as a consequence of the use of inappropriate statements</td><td>• Product discontinuation, recall, or compensation claims lead to incurrence of high costs or restriction on business activities.
• A loss of trust of customers erodes our brand value.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">Based on a “customer-first and quality-focused” approach, which forms the starting point of our business, we have declared in the Kirin Group’s Quality Policy and Standards of Conduct that providing safe and reliable products and services to our customers is our top priority. In December 2023, the Principles of the Kirin Group’s Global Quality Management were revised in line with the expansion of the Group’s business domains. By reflecting them in the quality management system retained by each Group company in the Food & Beverages, Health Science, and Pharmaceuticals domains, we are continuously improving our quality assurance systems and operations to provide products and services of reliable quality. In terms of labeling and advertisements, we have established the Guidelines of Product Labeling, a more concrete version of the Marketing Communication Policy established in 2022, to encourage our employees to engage in production with high ethical standards while paying due consideration to changes in social conditions. We will continue our efforts to foster an organizational culture that values “customer-first and quality-focused” across the Group.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Human rights</td><td>• Risk of the Kirin Group’s businesses, including those in each process of its value chain and those engaged by its business partners, adversely affecting human rights either directly or indirectly</td><td>• Our corporate brand image is undermined or we are forced to scale down or withdraw from business.
• We may have to pay fines or face litigation in cases we have violated laws and regulations, or we are subject to other economic penalties.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">Based on the recognition that respect for human rights is the foundation of all business activities, the Kirin Group formulated the Kirin Group Human Rights Policy in 2018, which complies with the United Nations Guiding Principles on Business and Human Rights. In 2023, the Group revised the policy in line with international human rights norms. In addition to prohibiting slave labor, forced labor, and child labor, including human trafficking, as well as all forms of discrimination based on race, color, ethnicity, nationality, social status, family origin, gender, disability status, health status, religion, ideology and creed, sexual orientation and gender identity, and differences in job type and employment status as before, the revised version is more specific, including a clear statement of the key human rights issues assumed for each type of stakeholder. We are committed to respecting human rights and making a positive impact on society by seeking understanding of this policy from all employees of Group companies in Japan and overseas as well as from various business partners involved in the value chain.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Environment</td><td>• Physical risks of climate change
• Transition risks to a decarbonized society
• Risks of a delay in the development of technologies, etc., which could impede or delay the solution of environmental issues</td><td>• Procurement costs increase due to decreased yields of agricultural raw materials caused by global warming, droughts and floods, or operations are suspended due to droughts and floods.
• Fuel costs and agricultural product costs increase due to carbon taxes.
• Inability to adequately respond to society’s expectations results in a decline in corporate value.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">The Kirin Group has formulated the Kirin Group’s Environmental Vision 2050, a long-term strategy for comprehensively addressing various environmental issues, and is working to achieve its goal. For physical risks such as decreased yields of agricultural raw materials, transition risks such as carbon pricing, and impacts on assets resulting from climate change, we assess financial impacts and resilience of our strategies through scenario analysis based on the TCFD recommendations to make necessary revisions to our policies and strategies and deepen our efforts. As for the issue of plastic containers, we have initiated a joint project with outside partners to study and achieve the practical use of technologies for recycling PET materials through chemical recycling, aiming to increase the recycled plastic ratio in Japan to 50% by 2027 (Kirin Group Plastic Policy). The Kirin Group will solve interrelated environmental issues on biological resources, water resources, containers and packaging, and climate change in an integrated manner, so we can pass a sustainable global environment on to the next generation.
(Specific countermeasures are stated in “APPROACHES TO AND INITIATIVES FOR SUSTAINABILITY.”)</td></tr>
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<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Adverse effect of alcohol consumption</td><td>• Risk of globally strengthening restrictions on sale and advertisement/promotion of alcoholic beverages</td><td>• Alcohol consumption reduces.
• Corporate brand value declines.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">Regarding the adverse effect of harmful alcohol consumption, the WHO is discussing future global regulations on the sale and marketing of alcohol. In order to fulfill its social responsibility as an alcoholic beverage producer and vendor, the Kirin Group is making progress in its efforts to eradicate harmful alcohol consumption in all countries where the Group operates its alcoholic beverages business. In developing the alcoholic beverages business, we comply with laws and regulations, the Kirin Group Global Marketing Code for Responsible Drinking and strict voluntary standards, and promote activities in cooperation with IARD and other industry groups in Japan and overseas. We have also developed non-alcoholic and low-alcoholic beverages and have worked to spread knowledge and raise awareness of appropriate ways of drinking alcoholic beverages. We will continue to make steady progress in our efforts to eradicate harmful alcohol consumption in line with changes in social conditions.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Supply chain</td><td>• Risk of supply chain disruption caused by large-scale natural disasters such as earthquakes and typhoons, infectious diseases, or impacts of geopolitical risks</td><td>• Business sites are closed or business activities are reduced or suspended.
• Delays in distribution or stockouts occur due to procurement, production, and logistics capabilities being unable to meet demand due to regional conflicts or terrorism, or a sharp rise in sales volume during peak periods.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">In the supply chain, in addition to the effects of disasters and accidents, there are concerns about the emergence of the 2024 logistics problem and future driver shortages in Japan, and the disruption of supply chains due to terrorism or political unrest overseas. In each business, we are working to reduce risks by improving the accuracy of supply and demand forecasts, strengthening logistics capacity, and considering alternative strategies. To respond to disasters and accidents, the Kirin Group has formulated a business continuity plan (BCP) with an all-hazard approach that focuses on management resources as the starting point to develop countermeasures. We have provided a BCP drill to multiple Group companies to check whether logistics operations function properly. Through these ongoing efforts, we will continue to strengthen our ability to respond to critical events and improve our resilience.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Procurement</td><td>• Market and exchange rate fluctuation risks
• Geopolitical and disaster risks
• Human rights and environmental risks in the supply chain</td><td>• Greater than expected procurement costs suppress profits from business operations.
• Inability to secure raw materials required or delay in their delivery affects our manufacturing plans, leading to supply and demand adjustment and its prolongation.
• We face difficulty in procuring raw materials, leading to negative consequences such as a decline in corporate image and consumer boycott.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">To address market and exchange rate fluctuation risks, we are reducing and stabilizing costs through long-term contracts and currency hedging. To address geopolitical and disaster risks, we are diversifying suppliers and raising raw material inventory levels. In addition, recognizing responses to risks associated with human rights and the environment in our supply chain as one of our key management issues, we have been making efforts to establish a robust corporate structure and strengthen our organizational capabilities so that we can live up to growing expectations. To this end, we revised the Kirin Group Sustainable Supplier Code and implemented due diligence in 2023. We have provided suppliers with an explanation of the Kirin Group Sustainable Supplier Code, requesting them to submit written consent to the code, and regularly confirming their status of compliance. Moreover, with a hotline and grievance mechanism for suppliers to report issues in place, we have been promoting sustainable procurement, by building close ties with suppliers.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Information security</td><td>• Risk of a cyber-attack, information security incident, or information leak</td><td>• A leak of personal information or important trade secrets results in a loss of customer trust and incurrence of claims for damage compensation.
• A cyber-attack causes business operations to be suspended or to be delayed due to the extended time required for recovery.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">The Kirin Group has established the KIRIN-CSIRT (Computer Security Incident Response Team) to respond to the threat of cyber-attacks that are becoming more serious and is working on information security measures, which is one of the Group's major risks. We are working to strengthen countermeasures against cyber-attack threats such as virus infection and unauthorized access from the outside by establishing a security response system within the Group and implementing human, physical, and technical measures. We are also taking measures including risk transfer, for example, by taking out cyber insurance on a global basis to reduce the economic impact of cyber-attacks. We believe that these measures have reduced the risk to below a certain level. We will also continue to take measures against unknown cyber threats while gathering a wide range of information.
(The details of our initiatives are described in the Information Security Report.)</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Compliance</td><td>• Risk of behavior that is illegal or counter to social norms</td><td>• Legal punishment, litigation, or social sanctions lead to a loss of customer trust.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">The Kirin Group defines compliance as “fulfilling both legal and ethical responsibilities that society expects from us, not to mention adhering to laws, internal and external regulations and rules.” We regularly hold training on compliance related matters, such as human rights, prevention of harassment and acts of corruption (including bribery), and responsible drinking, thereby facilitating the understanding and raising awareness of related rules. We also conduct an employee compliance awareness survey each year, which helps identify potential risks. Depending on the feedback from respondents, we verify the feedback and implement necessary measures, seeking to reduce risks. We also have put in place a whistleblowing system so that we can early detect potential risk events. This system includes a reporting desk in each Group company, direct lines to officers in charge of compliance or Audit & Supervisory Board Members, and global hotlines available to employees of overseas Group companies. We will continue to raise employees’ awareness of compliance so that we can nurture a strong sense of ethics as expected by society, as well as complying with relevant laws and regulations.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumed risks</th><th>Major impacts in the event of risk occurrence</th></tr>
<tr><td rowspan="3">Finance and taxes</td><td>• Risk of fluctuations of value in Japanese yen due to exchange rate volatility
• Risk of inability to raise necessary funds due to changes in financial markets/rating, or risk of fluctuations in financing cost
• Risk of greater than expected tax expenses due to changes in taxation system in each jurisdiction or a disagreement with tax authorities in filing tax returns</td><td>• Exchange rate fluctuations cause a change in the yen-translated value of financial statements denominated in local currencies and in the cost of procuring raw materials through foreign currency denominated transactions.
• Restrictions on fund procurement lead to a shortage of working capital and borrowings at high interest rates increase finance costs.
• Additional tax burdens will worsen business performance and social credibility.</td></tr>
<tr><td colspan="2">Main countermeasures, awareness of risk situation, and other considerations</td></tr>
<tr><td colspan="2">Although the impact of changing market environments and exchange rates cannot be fully eliminated, the Kirin Group has managed to lower the probability that such changes significantly impact its operating results and financial position by using derivatives and other hedging instruments. Specifically, we have reduced the potential impact of these changes on risks associated with funds by diversifying the sources of funding and improving capital efficiency by centrally controlling the Group’s cash position. We have also lowered the probability of significant tax risks by thoroughly fulfilling our tax payment obligations in compliance with the applicable taxation system.</td></tr>
</table>

We are exposed to a variety of risks other than the above, including reputational risks, geopolitical risks, risks associated with business investments, and risks associated with a revision to laws and regulations. By recognizing these risks, we will strive to prevent them from occurring and ensure prompt response.

4. MANAGEMENT ANALYSIS OF FINANCIAL POSITION, OPERATING RESULTS, AND CASH FLOWS

Forward-looking statements contained in this document are based on the assessment that the Kirin Group made as of the end of this fiscal year.

(1) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The consolidated financial statements of the Kirin Group are prepared in accordance with the International Financial Reporting Standards. In preparing the consolidated financial statements, estimates deemed necessary are made in accordance with reasonable standards.
The details are as stated in "V. FINANCIAL INFORMATION, Notes to Consolidated Financial Statements."

(2) OPERATING RESULTS

1) Overall business conditions

In 2023, COVID-19 was moved to Category 5 under the Infectious Diseases Control Law in Japan, and social and working life has changed once again. People's mobility has become more active, and cities are becoming more lively. Meanwhile, geopolitical risks have increased in various regions of the world, and global inflation and exchange rate fluctuations have continued. In addition, the risk of new infectious diseases is increasing due to global warming, and IT technologies, including generative AI, are rapidly evolving.
Since its founding, the Kirin Group has consistently focused on fermentation and biotechnology as its core technologies, and continues to evolve into a corporate group that is unique, with strengths not only in alcoholic beverages and non-alcoholic beverages businesses, but also in pharmaceuticals businesses.
Backed by these core technologies, we have been working since 2019 on the health science business utilizing distinctive materials such as *Lactococcus lactis* strain Plasma (LC-Plasma).
We will use the strengths of the Kirin Group to solve not only health and well-being issues, but also other issues facing society, while at the same time creating economic value as a company and maximizing corporate value.
In 2023, the Kirin Group steadily produced results even in an environment of increasing uncertainty. Under the Long-Term Management Vision Kirin Group Vision 2027 (KV2027), the Kirin Group promoted the increase of profits in the Food & Beverages domain, the strengthening of the global foundation in the Pharmaceuticals domain, and the expansion of the Health Science domain in order to achieve the goals of the Kirin Group 2022-2024 Medium-Term Business Plan (2022 MTBP).

- Food & Beverages domain
  In the Alcoholic beverages and Non-alcoholic beverages business, Kirin Holdings worked to strengthen its mainstay brands in Japan and overseas and expand high-value-added products to nurture new growth engines. In addition, we responded to the severe environment, including soaring raw material prices, by cutting costs and revising prices, and worked to improve profitability.
- Pharmaceuticals domain
  Kyowa Kirin Co., Ltd. focused on maximizing the value of global strategic products. In addition, we worked to strengthen our foundation for sustainable growth as a Japan-based global specialty pharmaceutical company, including signing an agreement to acquire shares of Orchard Therapeutics plc (Orchard Therapeutics), a UK-based biopharmaceutical company, in order to expand our next-generation pipeline and meet future medical needs.
- Health Science domain
  Centered on the LC-Plasma-related business, we expanded the scale of our business through aggressive development of our own group products such as non-alcoholic beverages and supplements, as well as through product development by external partner companies. In addition, we acquired shares in Blackmores Limited (Blackmores), an Australian company that develops health food (natural health) businesses, including supplements in the Asia-Pacific region, thereby strengthening our structure to accelerate the growth of our Health Science domain.

We have achieved many results in terms of ESG and won high acclaim both domestically and internationally.
The Environmental Report 2023, published in July was recognized as a pioneering effort by investors and other stakeholders around the world for its example of integrated disclosure of environmental management information on the TCFD and TNFD.
Kirin Brewery Company, Limited achieved 100% renewable energy for purchased electricity at all of its breweries and sales offices in Japan.
At Mercian Corporation, the Chateau Mercian Mariko Vineyard was officially recognized by the Ministry of the Environment as a socio-ecological production landscapes and seascapes site (SEPLS) that contributes to the 30 by 30 Alliance for Biodiversity (30by30) global goal of halting and restoring biodiversity loss.
In the Health Science domain, Kirin Holdings was highly acclaimed for its contribution to society through the discovery and commercialization of LC-Plasma, and the company received the Imperial Invention Award at the 2023 National Commendation for Invention, the first time in 59 years for a food company and the first for a health and well-being ingredient.
In addition, the Company received the highest ranking in the 7th Nikkei Smart Work Management Survey for the seventh consecutive year. This was in recognition of the diverse and flexible work styles and employee engagement areas. In the 5th Nikkei SDGs Management Survey, we also received the highest ranking for the fifth consecutive year. This award was given in recognition of the results of our efforts to create economic value through our business, sustainable resource utilization, and biodiversity initiatives conservation through our business activities.

(¥ billions, unless otherwise stated)

	FY2023	FY2022	Change	
Consolidated revenue	2,134.4	1,989.5	144.9	7.3%
Consolidated normalized operating profit	201.5	191.2	10.3	5.4%
Consolidated operating profit	150.3	116.0	34.3	29.5%

	FY2023	FY2022	Change	
Consolidated profit before tax	197.0	191.4	5.7	3.0%
Profit attributable to owners of the Company	112.7	111.0	1.7	1.5%

(Key performance indicators)

ROIC	8.0%	8.5%		
Normalized EPS (yen)	177	171	6	3.5%

Consolidated revenue for this fiscal year increased due to increases in sales of the Japan Beer and Spirits Businesses, the Japan Non-alcoholic Beverages Business, the Oceania Adult Beverages Business, Pharmaceuticals Business, and Coca-Cola Beverages Northeast. The Japan Non-alcoholic Beverages Business and Kyowa Hakko Bio Co., Ltd. posted a decrease in profits, but the Japan Beer and Spirits Businesses, the Oceania Adult Beverages Business, Pharmaceuticals Business, and Coca-Cola Beverages Northeast saw an increase in profits, resulting in an overall increase in consolidated normalized operating profit. Profit attributable to owners of the Company increased mainly due to the divestment of European businesses of Kyowa Kirin Co., Ltd. and an increase in equity in earnings of associates, despite the recording of a realized loss on foreign currency translation adjustments due to the withdrawal from the business in Myanmar and impairment losses related to Kyowa Hakko Bio Co., Ltd. and Kyowa Kirin Co., Ltd.
Among the key performance indicators, ROIC improved from the previous year to 8.0% mainly due to the acquisition of Blackmores Limited. Normalized EPS increased by 6 yen from the previous year to a record high of 177 yen, mainly due to an increase in consolidated normalized operating profit.

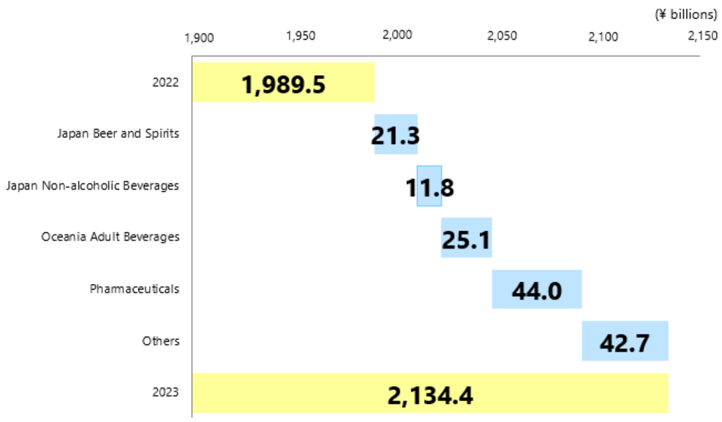
2) Performance by reportable segment

Results by segment are as follows.

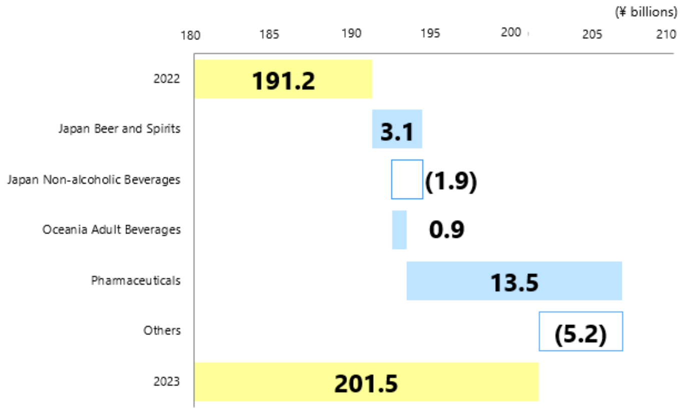
(¥ billions, unless otherwise stated)

	FY2023	FY2022	Change	
Consolidated revenue	2,134.4	1,989.5	144.9	7.3%
Japan Beer and Spirits	684.9	663.5	21.3	3.2%
Japan Non-alcoholic Beverages	255.0	243.3	11.8	4.8%
Oceania Adult Beverages	281.0	255.9	25.1	9.8%
Pharmaceuticals	441.9	397.9	44.0	11.1%
Others	471.6	428.9	42.7	10.0%
Consolidated normalized operating profit	201.5	191.2	10.3	5.4%
Japan Beer and Spirits	77.7	74.7	3.1	4.1%
Japan Non-alcoholic Beverages	16.9	18.8	(1.9)	(10.1)%
Oceania Adult Beverages	32.4	31.5	0.9	2.7%
Pharmaceuticals	96.0	82.5	13.5	16.4%
Others	(21.5)	(16.3)	(5.2)	–

Consolidated revenue (year-on-year analysis)



Consolidated normalized operating profit (year-on-year analysis)



Japan Beer and Spirits Business

In the domestic alcoholic beverages market, amid the impact of soaring raw material prices, many companies proceeded with price revisions to secure profitability. Liquor tax revisions and price revisions in October led to a reduction in the price gap between beer and other alcoholic beverages such as *happo-shu* and new genre products. As a result, the beer category was brisk. Kirin Brewery saw strong sales of its mainstay brand *KIRIN ICHIBAN* and the health-conscious *KIRIN ICHIBAN Zero Sugar*, which were both renewed, and in addition to the firm (market) performance and the recovery of the on-premise market also provided a tailwind, and overall sales volume of the *KIRIN ICHIBAN* brand increased by 5% from the previous year. In the craft beer category, a new growth engine, we strengthened the lineup by launching *SPRING VALLEY Japan Ale [Aroma]* from the *SPRING VALLEY* brand and *SPRING VALLEY Afterdark [Black],* a limited-edition product. We also worked with distributors and craft beer makers to expand sales outlets for craft beer. In the on-premise market, we expanded the number of outlets handling *Tap Marché*, a beer server for restaurants, to provide customers with opportunities to experience craft beer. Kirin Brewery's whiskey production began in 1973 when the FUJI GOTEMBA DISTILLERY started operation, and we celebrated its 50th anniversary in 2023. *FUJI,* our flagship brand, has expanded its sales performance by 2.7 times over the previous year, and we expanded overseas, increasing the number of European countries *FUJI* is sold in. In the RTD category, the mainstay *Kirin Hyoketsu* brand sold well. In particular, sales of the *Kirin Hyoketsu Sugar Free* series grew significantly, up 35% from the previous year, with the annual sales target being achieved in October. In addition, *Kirin Jojo Shochu Soda*, a high value-added RTD product, was launched in October, cultivating new demand as an RTD that goes well with meals.

As a result, revenue increased by 3.2% from the previous year to ¥684.9 billion and normalized operating profit increased by 4.1% from the previous year to ¥77.7 billion mainly due to the effect of price revisions, which exceeded the impact of the sharp rise in raw material and other prices.

Japan Non-alcoholic Beverages Business

Despite the environment in the domestic non-alcoholic beverages market being difficult due to soaring raw material prices, summer demand and the health market expanded due to the extremely hot summer and growing health and well-being awareness. In the *Kirin Gogo-no-Kocha* brand, we renewed the mainstay *Kirin Gogo-no-Kocha* to increase summer demand. In addition, we strengthened our unsweetened black tea lineup with the launch of *Kirin Gogo-no-Kocha Oishii Muto Milk Tea*, resulting in a 2% increase in overall sales of the *Kirin Gogo-no-Kocha* brand compared to the previous year. From the *Kirin Nama-cha* brand, *Kirin Nama-cha Rich* was launched in September and sold more than 10 million bottles in the first two weeks of sales. In the Health Science domain, where we are focusing our efforts, we introduced a variety of products to the market, centered on non-alcoholic beverages containing LC-Plasma, to meet the needs of consumers and to make immune care a habit. The newly launched *Kirin Oishii Immune Care* series, which also includes *Kirin Oishii Immune Care Calorie-Off* and *Kirin Oishii Immune Care Sleep*, increased sales volume of small-volume PET bottled non-alcoholic beverages by 3.4 times over the previous year compared to the same container from 2022 for the small-volume PET bottled beverage. In addition, the *iMUSE* brand was strengthened in November with the renewal of the well-received *Kirin iMUSE Yogurt Taste*, in preparation for winter, when health and well-being awareness is on the rise. As a result of these efforts, sales volume of LC-Plasma beverages increased significantly, up 35% from the previous year. With FANCL CORPORATION we created synergies through the joint development of *KIRIN x FANCL Calolimit Apple Sparkling* and *KIRIN x FANCL Calolimit Blended Tea* and other products.

As a result, revenue increased by 4.8% to ¥255.0 billion. Normalized operating profit decreased by 10.1% to ¥16.9 billion due to lower sales volume, brand investment and other factors, while the impact of the sharp rise in raw material and other prices was offset by the effect of price revisions.

Oceania Adult Beverages Business

In the Australian alcoholic beverages market, the impact of COVID-19 has subsided, and inflation remained at a high level. In this environment, Lion Pty Ltd. worked to strengthen its mainstay brands, and as a result, sales of *Hahn*, which meets increasing health consciousness and well-being needs, were strong, as were sales of "*XXXX*" (pronounced "four-ex") and other products. In the growing RTD category, Kirin Brewery began manufacturing the *Kirin Hyoketsu* brand in Australia and began selling it in Australia and New Zealand. In the craft beer business, our focus in North America, sales remained strong due to continued strong sales of New Belgium Brewing Company's *Voodoo Ranger* and the effect of the integration of Bell's Brewery and New Belgium Brewing Company.

As a result, yen-based revenue increased by 9.8% to ¥281.0 billion. Yen-based normalized operating profit increased by 2.7% to ¥32.4 billion due to structural reforms and other cost reduction efforts.

Pharmaceuticals Business

In 2023, the third year of the company's 2021-2025 Medium-Term Business Plan, Kyowa Kirin continued its efforts for growth as a Japan-based

global specialty pharmaceutical company. The global strategic product *Crysvita* began sales in North America and showed steady growth with a 20% increase over the previous year. Regarding the development pipeline, *KHK4083* (generic name: rocatinlimab) and other products are progressing well, while the development of *RTA 402*, has been ceased. In addition, in order to strengthen our ability to create new drugs in the future, we signed an agreement to acquire shares of Orchard Therapeutics plc (Orchard Therapeutics), which has products and product development using hematopoietic stem cell gene therapy and establishes a platform necessary for the business.
As a result, revenue increased by 11.1% to ¥441.9 billion due to an increase in overseas pharmaceutical sales, particularly of global strategic products, mainly in North America. Normalized operating profit increased by 16.4% to ¥96.0 billion due to an increase in gross profit resulting from higher revenue, despite an increase in research and development expenses.

Results of other major businesses are as follows.

Kyowa Hakko Bio Co., Ltd. (Kyowa Hakko Bio)
Kyowa Hakko Bio focused on specialty materials and undertook structural reforms to improve profitability. Sales of overseas-sold *Cognizin* for use in health and well-being foods remained strong, and regulatory approvals for *human milk oligosaccharides (HMOs),* progressed in the countries where we plan to expand. On the other hand, the business environment remained challenging, particularly in the amino acid business, due to intensifying competition in the market and soaring raw material and fuel prices. As a result, revenue increased by 0.8% to ¥51.4 billion, and business loss amounted to ¥8.5 billion.

Mercian Corporation (Mercian)
Mercian continued to nurture its own highly profitable brands while its mainstay wine business was severely affected by the impact of the weak yen on imported wines and raw materials. In the Chateau Mercian Japan wine category, Chateau Mercian Mariko Winery won the highest ranking in Asia in the “World’s Best Vineyards 2023” competition and began exporting its wines to Italy. Under the Mercian Wines brand, the sparkling wine *Cantiamo* and the small-volume size *Sunnyside Organic Sparkling Can* were launched and sold well. As a result, revenue increased by 6.5% to ¥64.4 billion, and normalized business profit amounted to ¥0.8 billion.

Coca-Cola Beverages Northeast, Inc. (Coke Northeast)
In the non-alcoholic beverages market in the U.S., consumption remained firm even as prices continued to rise due to inflation. At Coke Northeast, sales of mainly carbonated non-alcoholic beverages and premium mineral water remained steady. In addition, operational reforms, including structural reforms at facilities and distribution centers and the introduction of ICT, as well as the effects of price revisions, further improved the high profitability of the company. As a result, revenue increased by 15.7% to ¥250.1 billion, and normalized operating profit increased by 29.0% to ¥33.9 billion.

3) Overview of production, orders received, and sales

(a) Production

Production by segment for this fiscal year are as follows.

Segment	Amount (¥ millions)	YoY change (%)
Japan Beer and Spirits	677,769	4.8
Japan Non-alcoholic Beverages	126,319	(0.7)
Oceania Adult Beverages	286,270	8.5
Pharmaceuticals	145,370	(4.4)
Others	300,092	6.1
Total	1,535,820	4.3

Note: Amounts are based on selling prices.

(b) Orders received

The information on orders received is omitted since the Group’s products are mostly produced under a make-to-stock production arrangement.

(c) Sales results

Sales results by segment for this fiscal year are as follows.

Segment	Amount (¥ millions)	YoY change (%)
Japan Beer and Spirits	684,863	3.2
Japan Non-alcoholic Beverages	255,028	4.8
Oceania Adult Beverages	280,990	9.8
Pharmaceuticals	441,882	11.1
Others	471,630	10.0
Total	2,134,393	7.3

Notes:

1. Sales results by key customer and the corresponding percentage to the total sales are as follows.

Customer	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
	Amount (¥ millions)	Percentage (%)	Amount (¥ millions)	Percentage (%)
Mitsubishi Shokuhin Co., Ltd.	220,074	11.1	230,872	10.8

2. The above amounts do not include consumption taxes.

(3) FINANCIAL POSITION

1) General overview

Total assets at the end of this fiscal year were ¥2,869.6 billion, an increase of ¥327.3 billion from the end of the previous fiscal year. Property, plant and equipment, goodwill, and intangible assets increased by ¥236.0 billion in total from the end of the previous year. This was primarily as a result of the acquisition of Blackmores Limited and the effect of foreign exchange rate fluctuations. Cash and cash equivalents increased by ¥43.3 billion. In contrast, assets held for sale decreased by ¥46.1 billion mainly due to sale of Myanmar Brewery Limited.

Equity increased by ¥172.6 billion from the end of the previous fiscal year to ¥1,425.8 billion due to an increase in retained earnings of ¥64.7 billion and an increase in reserves of ¥92.1 billion. The increase in reserves was mainly attributable to an increase in foreign currency translation differences on foreign operations of ¥90.1 billion due to a weak yen.

Liabilities increased by ¥154.7 billion from the end of the previous fiscal year to ¥1,443.7 billion. Bonds and borrowings increased by ¥133.3 billion mainly due to the issuance of bonds worth ¥93.0 billion including the issuance of social bonds worth ¥60.0 billion in connection with the acquisition of Blackmores Limited in October 2023 and new borrowings.

As a result, the equity ratio attributable to owners of the Company and the gross debt equity ratio stood at 39.5% and 0.58 times, respectively.

2) Financial status of reportable segments

Japan Beer and Spirits

Segment assets of the Japan Beer and Spirits Businesses at the end of this fiscal year increased by ¥11.0 billion to ¥443.1 billion from the end of the previous fiscal year mainly due to an increase in other non-current assets.

Japan Non-alcoholic Beverages

Segment assets of the Japan Non-alcoholic Beverages Business at the end of this fiscal year increased by ¥14.5 billion to ¥147.7 billion from the end of the previous fiscal year mainly due to an increase in property, plant and equipment as a result of capital expenditures and an increase in other non-current assets.

Oceania Adult Beverages

Segment assets of the Oceania Adult Beverages Business at the end of this fiscal year increased by ¥60.5 billion to ¥607.2 billion from the end of the previous fiscal year. This was mainly because goodwill and property, plant and equipment increased primarily as a result of exchange rate fluctuations.

Pharmaceuticals

Segment assets of the Pharmaceuticals Business at the end of this fiscal year increased by ¥91.1 billion to ¥971.4 billion from the end of the previous fiscal year mainly due to an increase in equity-accounted investees in association with joint ventures of established medicine businesses in Europe, increases in property, plant and equipment and goodwill mainly due to exchange rate fluctuations, and an increase in cash and cash equivalents.

(4) CASH FLOWS

1) Cash flows and liquidity status

The balance of cash and cash equivalents (hereinafter, “net cash”) at the end of this fiscal year was ¥131.4 billion, an increase of ¥43.3 billion from the end of the previous fiscal year. Cash flows for each activity were as follows:

Cash flows from operating activities

Net cash provided by operating activities increased by ¥67.6 billion year on year to ¥203.2 billion. Although impairment loss, which is a non-cash item, decreased by ¥36.2 billion, a ¥32.6 billion decrease in gain on sale of equity-accounted investees, a ¥19.1 billion increase in loss on sale of shares of subsidiaries, and a ¥14.9 billion decrease in outflow of working capital resulted in an increase of ¥33.4 billion in the sub-total. Below the sub-total line, cash flows from operating activities increased year on year due to a ¥32.2 billion decrease in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities increased by ¥215.7 billion year on year to ¥226.1 billion. Net cash provided by investing activities for this fiscal year included proceeds from sale of shares of subsidiaries, net of cash disposed of, and proceeds from sale of investments through our continuous efforts to reduce cross-shareholdings, which were both ¥8.0 billion. The increase in net cash used in investing activities year on year was mainly due to an increase in acquisition of shares of subsidiaries, net of cash acquired by ¥115.9 billion year on year as a result of obtaining control of Blackmores Limited through a subsidiary in Australia in this fiscal year, and a decrease in proceeds from sale of equity-accounted investments by ¥98.2 billion year on year, in association with the sale of China Resources Kirin Beverages (Greater China) Company, Limited in the previous fiscal year. Outflow for acquisition of property, plant and equipment and intangible assets increased by ¥15.3 billion year on year to ¥113.8 billion.

Cash flows from financing activities

Net cash from financing activities was an inflow of ¥35.9 billion compared to an outflow of ¥167.8 billion in the previous fiscal year. This was mainly due to an increase in interest-bearing liabilities by ¥163.0 billion as a result of the acquisition of Blackmore Limited and a decrease in payment for acquisition of treasury shares by ¥50.0 billion as a result of acquiring treasury shares to expand shareholder returns in the previous fiscal year. The Company pays dividends with a consolidated dividend payout ratio on normalized EPS of at least 40% based on the policy of implementing a stable and continuous shareholder returns. As a result, dividends paid, including to non-controlling interests, amounted to ¥71.2 billion.

The Group continues to allocate cash generated from “cash generation through BS (balance sheet) / PF (portfolio) management” to “measures for flexible shareholder returns” and “disciplined investment to acquire growth drivers” so that it can implement the appropriate distribution of profits and improve corporate value.

2) Basic capital policy

Based on the capital policy formulated in the 2022–2024 MTBP, the Company will allocate resources to its businesses and distribute profits to its shareholders as set out below.

Regarding resource allocation to businesses, giving top priority to growth investment with a focus on the Health Science domain, the Company will make investments that contribute to enhancement of existing businesses and profitability improvement. The Company will also implement a stable and continuous allocation of resources to intangible value (such as brands, research and development, information and communication technology (ICT), and human resources) as well as new business creation that sustain the growth of future cash flows. The Company will take a disciplined approach to investments in terms of maintaining and improving the Kirin Group’s capital efficiency.

We view the distribution of profits to shareholders as a key management matter. Since its foundation in 1907, the Company has continued to pay dividends to shareholders every financial year without fail. The Company has stably and continuously provided dividends based on a consolidated dividend payout ratio on normalized EPS of at least 40%. In addition, we will consider opportunities to acquire treasury shares as additional shareholder returns, comprehensively taking into account various factors including optimum capital structure, market conditions and reserve funds after investments.

With regard to financing, priority is given to debt financing, while maintaining a high credit rating that is not affected by financial conditions, in preparation for rapid changes in the economic environment and other factors. The Company fulfills its accountability to its shareholders by carefully considering the impact on stakeholders and other factors when raising funds for investments required to achieve medium- to long-term goals, which may result in a change in control or a large-scale dilution, after verification and review by the Board.

5. MATERIAL CONTRACTS, ETC.

Agreement for joint development and commercialization of Kyowa Kirin's *KHK4083* for the treatment of atopic dermatitis
On June 1, 2021, the Company's consolidated subsidiary Kyowa Kirin Co., Ltd. (hereinafter, "Kyowa Kirin") and Amgen Inc. (hereinafter, "Amgen") entered into an agreement to jointly develop and commercialize *KHK4083*, an anti-OX40 human monoclonal antibody, for the treatment of atopic dermatitis and other autoimmune diseases. This agreement became effective on July 31, 2021, following the expiration of the waiting period under U.S. antitrust law.

KHK4083 is an anti-OX40 human monoclonal antibody engineered with Kyowa Kirin's fully human antibody production technology and *POTELLIGENT*® technology to enhance its antibody-dependent cellular cytotoxicity (ADCC) activity. *KHK4083* has been shown to selectively deplete activated T cells. *KHK4083* has been being developed in the United States, Europe, and Japan and is a potential first-in-class treatment for atopic dermatitis, which today affects more than 30 million people in the United States, France, Germany, Italy, Spain, the U.K. and Japan.

Kyowa Kirin therapeutic antibodies powered by the *POTELLIGENT* technology with ADCC activity are currently marketed in therapeutic areas including Oncology and Asthma. This potent antibody-enhancement platform is also licensed to numerous third parties throughout the biopharmaceutical industry.

Under terms of the agreement, Amgen will lead the development, manufacturing, and commercialization for *KHK4083* for all markets globally, except Japan, where Kyowa Kirin will retain all rights. Additionally, Kyowa Kirin will co-promote *KHK4083* with Amgen in the United States and have opt-in rights to co-promote *KHK4083* in certain other markets outside the United States, including in Europe and Asia, except Japan. Amgen made a U.S.$400 million up-front payment to Kyowa Kirin in the previous fiscal year and will make future contingent milestone payments potentially worth up to an additional U.S.$850 million, as well as significant royalty payments on future global sales. Kyowa Kirin and Amgen will share global development costs, except in Japan, and commercialization costs in the United States. Amgen will consolidate sales for *KHK4083* in all markets globally, except for Japan. Amgen also will leverage unique data from its deCODE Genetics subsidiary to explore the potential use of *KHK4083* in indications beyond atopic dermatitis.

Acquisition of shares of Blackmores Limited
The Company executed an agreement with Blackmores Limited, an Australian company, to purchase 100% of shares issued on April 26, 2023 and completed the acquisition on August 10, 2023.
The details are as described in "V. FINANCIAL INFORMATION, Notes to Consolidated Financial Statements, 38. BUSINESS COMBINATIONS."

Acquisition of shares of Orchard Therapeutics plc
Kyowa Kirin Co., Ltd., a consolidated subsidiary of the Company, executed an agreement with Orchard Therapeutics plc, a U.K. biopharmaceutical company, to acquire 100% of shares issued on October 5, 2023 and completed the acquisition on January 24, 2024.
The details are as described in "V. FINANCIAL INFORMATION, Notes to Consolidated Financial Statements, 39. SUBSEQUENT EVENTS."

6. RESEARCH AND DEVELOPMENT ACTIVITIES

The Kirin Group has designated "Core technology that creates solid value" in the Long-Term Management Vison "Kirin Group Vision 2027" (KV2027) as one of its organizational capabilities for achieving innovation. We have worked to further develop our traditional strengths in fermentation and biotechnology, packaging, and engineering, as well as to focus on intellectual property initiatives. For the Food & Beverages and Health Science domains, the Group engages in research and development activities at four research institutes of Kirin Holdings Company, Limited (Kirin Central Research Institute, Institute of Health Sciences, Institute for Future Beverages, Institute for Package Innovation) and other research institutes of its operating companies. For the Pharmaceuticals domain, Kyowa Kirin Co., Ltd. primarily undertakes research and development activities, moving forward with joint initiatives with Kirin Holdings Company, Limited with the aim of delivering value beyond pharmaceuticals.
The Kirin Group's research and development expenses for the fiscal year under review amounted to ¥84.9 billion. Major outcomes of our research and development efforts by segment are set out below. Research and development expenses incurred in Kirin Holdings Company, Limited are included in "Administration."

Japan Beer and Spirits Businesses

In the Japan Beer and Spirits Businesses, Kirin Brewery Company, Limited (Kirin Brewery) conducts research, technological development, and product development in cooperation with the research institutes of Kirin Holdings Company, Limited.
We revamped both the content and package of *KIRIN ICHIBAN* in January 2023. We reviewed the brewing process of wort to maximize the natural, clear flavor of the barley, achieving improved taste of the beer and a clear aftertaste with reduced harshness and astringency. We also revamped both the content and package of *KIRIN ICHIBAN Zero Sugar* in April 2023. The use of new Saaz hops, which are known for their floral aroma and mild bitterness, gives the beer an elegant bitterness and depth of taste, improving its taste. In addition, the increased amount of Tradition hops enhances the impression of a fruity, citrus-like aroma, resulting in the sophisticated beer with a more refreshing aftertaste.
In January 2023, we revamped both the content and package of *SPRING VALLEY Hojun 496*, one of the *SPRING VALLEY* craft beer brand products. We have adjusted the ratio of five types of hops including rare "Japanese hops" and increased the amount of hops used in our "dip-hop process" that soaks hops for seven days. This process brings out the gorgeous aroma of the hops and softens the quality of bitterness, achieving a more pleasant aftertaste while maintaining the well-balanced taste that is both rich and refreshing. Then we revamped both the content and package of *SPRING VALLEY Silk Ale [White]* in July 2023. The percentage composition of hops was adjusted to achieve a taste with higher "mildness" and "gorgeous aroma." Furthermore in October 2023, we launched *SPRING VALLEY JAPAN ALE [Kaoru]*. By combining the good points of and harmonizing both overseas hops with gorgeous aroma and Japanese hops with unique refreshing aroma like fig, mandarin orange, or muscat, we have achieved a refreshing aroma that suits our customers' taste buds.
In the RTD[*1] category, we released a new brand *Kirin Jojo Shochu Soda* in October 2023. This shochu includes authentic barley shochu base from Mercian Yatsushiro-Shiranuigura Distillery and uses ingredients that enhance the characteristics of shochu, such as rice malt extract and salt, resulting in a clean, refreshing taste while still providing the authentic and satisfying sensation of shochu. Furthermore, we launched another new brand *Kirin Hyakunen Kiwami Lemon Sour* in April 2023. This sour includes multiple kinds of lemon juices, including from lemon peels, added with lemon juice fermented with beer yeast. Its unique foaming inspired by the beer foaming results in a smooth mouthfeel and a packed lemon taste that is both satisfying and easy to drink as an alcoholic beverage. The technology to realize this characteristic taste is patent pending as a "technology that renders sparkling (*happosei*) alcoholic beverages with both 'mild mouthfeel with reduced feeling of stimulus and fizzing sensation caused by carbonation' and 'good citrus aroma.'"

Research and development expenses for this segment amounted to ¥0.8 billion.

*1 Abbreviation for Ready to Drink, representing low-alcohol beverages that can be served for consumption by just opening them

Japan Non-alcoholic Beverages Businesses

In the Japan Non-alcoholic Beverages Businesses, Kirin Beverage Company, Limited (Kirin Beverage) conducts research, technological development, and product development in cooperation with the research institutes of Kirin Holdings Company, Limited.

In March 2023, Kirin Beverage launched *Kirin Oishii Immune Care*, which is food with functional claims containing Kirin's proprietary ingredient LC-Plasma that "helps maintain the immune system in healthy people." While satisfying and drinkable, the new product has a refreshing taste with just the right amount of sweetness and acidity. We also released in October 2023 *Kirin Oishii Immune Care Sleep*. This is a functional food with double health claims that contains not only LC-Plasma but also GABA to support "immune care" and "higher quality sleep."

In the *Kirin Gogo-no-Kocha* brand, we launched *Kirin Gogo-no-Kocha Oishii Muto (sugar-free) Milk Tea* in March 2023. This new product uses specially selected tea leaves to realize an unsweetened refreshing taste for milk tea. We revamped both the taste and package design of *Kirin Nama-cha* in April 2023. By reviewing the balance of ingredients, we have brushed up the taste to make it more refreshing while maintaining the tea feeling. As an environmental contribution initiative, we expanded the use of PET bottles 100% made of recycled resin ("R100 PET bottles") in succession from *Kirin Nama-cha* to *Kirin Nama-cha Hoji Sencha* (525 ml).

In September 2023, we launched *Kirin Nama-cha Rich.* This tea is made by lavishly using powdered "*kabuse tea*" leaves, which have been finely ground to 10 µm (=0.01 mm) or less over about eight hours or longer, 10 times the amount used for regular *Kirin Nama-cha*. We have dared to adopt time-consuming and labor-intensive processes, such as blending extracts brewed at multiple temperatures, mainly at 45°C, to slowly extract umami, to create a deep umami taste with reduced bitterness, in pursuit of a truly delicious green tea.

Kirin Beverage started manufacturing of PET bottle preforms[*2] using 100% recycled resin[*1] at Shonan Plant in March 2023. It is expecting three effects: (1) reducing GHG[*3] emissions from the recycled resin manufacturing process by 50% to 60% compared to the virgin resin production process[*4]; (2) ensuring stable procurement of R100 PET bottles[*5]; and (3) improving the quality control accuracy through in-house manufacturing of bottle packaging.

We decided to introduce an automated picking solution[*6] to Ebina Logistics Center (Ebina City, Kanagawa Prefecture) in December 2024. This decision was made after its effectiveness in logistics sites was verified through a joint demonstration project on the introduction of the solution to beverage delivery sites. We had jointly conducted this project with Mitsubishi Heavy Industries, Ltd. (MHI) and Mitsubishi Logisnext Co., Ltd., a part of MHI Group, as an effort to solve the 2024 logistics problem such as labor shortages and long-waiting vehicles.

Research and development expenses for this segment amounted to ¥0.9 billion.

*1 Raw material for PET containers made by crushing and washing used PET bottles
*2 A prototype of PET bottles before it is inflated. Shaped like a test tube.
*3 Abbreviation for GreenHouse Gas
*4 Kirin Group Environmental Report 2022
*5 PET bottles that use 100% recycled PET resin
*6 An intelligent automated picking solution developed by the MHI Group

Oceania Adult Beverages Business

In Australia, the RTD market has been recently expanding against the backdrop of expanded diversified consumption and enhanced appreciation of refreshing taste due to improved technology.

By using the technologies that Kirin Holdings Company, Limited has accumulated over long years, Lion Pty Ltd (Lion), which is engaged in the Oceania Adult Beverages Business, has developed beverages and their containers that meet customer preferences and market demands in Australia and New Zealand. In response to the growing health-conscious needs in Australia, Lion developed and launched *Kirin Hyoketsu Lemon* in August 2023. This *Hyoketsu Lemon* contains less than 0.3g of sugar, 116 kcal of calories, and 6% alcohol content while keeping the fresh and clear taste that is the feature of *Hyoketsu*.

Research and development expenses for this segment amounted to ¥0.0 billion.

Pharmaceuticals Business

Kyowa Kirin Co., Ltd. (Kyowa Kirin) continuously and actively invests resources in research and development activities. Kyowa Kirin aims to advance both a technological pillar that can build a platform for applying various modalities and discovering innovative drugs and a disease pillar that continues to provide "only-one value drugs" for diseases for which there are no effective treatments while utilizing the disease science accumulated by the Group thus far, build a highly competitive pipeline, and provide new drugs with life-changing value worldwide.
Our progress in the respective disease fields of our main late-stage development products is as follows. ("◆" indicates the progress made during the fourth quarter of fiscal 2023.)

Nephrology

KHK7580 (product name in Japan: ORKEDIA)

・ An application for approval has been submitted for marketing as its indication for treatment of secondary hyperparathyroidism in China (application filed in July 2022).
◆ In November 2023, we received an approval for marketing as its indication for treatment of secondary hyperparathyroidism in South Korea.

KW-3357 (product name in Japan: Acoalan)

◆ We conducted a Phase III clinical study for the treatment of preeclampsia in Japan, but decided to discontinue its development upon taking into account results of the clinical study.

KHK7791 (product name in Japan: PHOZEVEL)

・ In September 2023, we received an approval for manufacturing and marketing in Japan for the improvement of hyperphosphatemia in chronic kidney disease patients on dialysis.

Oncology

KRN125 (product name in Japan: G-Lasta)

・ In July 2023, we applied for partial change of approved indication in the oncology field for the mobilization of hematopoietic stem cells into peripheral blood for autologous blood stem cell transplantation in Japan.

Immunology and allergy

KHK4827 (product name in Japan: LUMICEF)

・ An application for a partial change for approval has been submitted for its planned indication for treatment for systemic sclerosis in Japan (application filed in December 2021).
・ In August 2023, approval was acquired in Japan for a partial change for approval of its indication for treatment of palmoplantar pustulosis.

Other

AMG531 (product name in Japan: Romiplate)

・ In September 2023, approval was acquired in Japan for a partial change to the approved indication from "aplastic anemia in patients who had an inadequate response to conventional therapy" to "aplastic anemia."

Research and development expenses for this segment amounted to ¥71.8 billion.

Other Businesses and Administration

Mercian Corporation (Mercian) conducts research on, and development of technologies and wine products in cooperation with research institutes of Kirin Holdings Company, Limited.

In August 2023, Mercian launched nationwide, from its *Delicious Antioxidant-free Wine* series, *Oishii-Sankaboushizai-Mutenka* (Antioxidant-free) *Red Wine Rich Strong*. In response to customer demand for wine with a rich taste and drinkability, Mercian has carefully selected grape juice and yeast that give the original richness of the grapes and contain plenty of polyphenols.

From the Mercian Wines brand co-created by winemakers from around the world and Mercian's winemakers for Japanese customers, *Sunnyside Organic Sparkling Can* (White, 280 ml) was released nationwide in August 2023, as the brand's first can-bottled wine. *Sunnyside Organic* is a Spanish organic gentle tasting wine co-created by Peninsula, a Spanish winery, and Mercian. While maintaining the characteristics that have made it popular as a "delicious, high quality, organic wine that can be casually enjoyed," Mercian developed the sparkling wine for Japanese customers.

It also launched nationwide, in August 2023, *Cantiamo Spumante* (Brut, Rose, 750 ml). In addition to "easy to drink" and "tasting great with meals," the new wine has a gorgeous aroma and outstanding freshness. Its appeal lies in its refreshing taste and gorgeous fruitiness that goes well with any meal.

At the Japan Wine Competition 2023 held in Yamanashi Prefecture in July, three products of the *Chateau Mercian* brand won the gold award: *Kikyogahara Merlot Signature 2018*, *Kikyogahara Merlot 2018*, and *Hokushin Right Bank Chardonnay Rivalis 2020*. In addition, four products of the same brand including *Yamanashi Koshu 2022* won the silver award and five products including *Hokushin Left Bank Chardonnay Rivalis 2020* won the bronze award.

In the wine award category of the Hong Kong International Wine & Spirit Competition 2023, one of the largest international wine competitions in Asia, *Chateau Mercian Tamamoro Koshu Kiiroka 2022* won the gold award and the Best Wine From Japan trophy for the highest rated Japanese wine entered in the competition. From the same brand, two other products including *Yamanashi Koshu 2022* won the gold award and four other won the bronze award.

Kyowa Hakko Bio Co., Ltd. has continued to focus on research and development of cutting-edge fermentation technologies cultivated over the years, aiming to become a global specialty fermentation manufacturer with a number of highly profitable product ingredients in its pipeline, including Citicoline and Human Milk Oligosaccharide (HMO).

For Citicoline, Kyowa Hakko Bio completed the construction of additional facilities at its Yamaguchi Plant and started their operation in November 2023. By establishing a stable global supply system, we will meet the needs for preventing age-related decline in brain function and improving concentration power and performance.

As for HMO, for which Kyowa Hakko Bio established a production system at the industrial level for the first time in the world,[*1] commercial production of three items was launched at a new cutting-edge plant built in Thailand in November 2022. HMO is a generic term for oligosaccharides contained in breast milk, and is a prebiotic,[*2] a substance that serves as a nutrient for beneficial bacteria such as bifidobacteria. It reaches the large intestine without being metabolized by human digestive enzymes, is metabolized by intestinal bacteria, and exhibits various physiological functions. As research progresses, it is expected to serve as a functional ingredient besides a nutrient for infants.

As for the three items of HMO, strains used for production passed a safety test by the Ministry of Agriculture and Rural Affairs of the People's Republic of China (MARA). In the United States, the GRAS[*3] notification procedure for the Food and Drug Administration (FDA) has been completed. With this notification, Kyowa Hakko Bio's products can now be used in general infant formula[*4] and food products in the United States. Of the three items, 6SL (6'-sialyllacotse sodium salt) has been approved as Novel Food by the European Commission of the European Union (EU). The approval has made Kyowa Hakko Bio's 6SL available for infant formula and food products manufactured or sold in the 27 EU member countries since November 13, 2023. We will roll out these items to countries with high needs for HMO, contributing to solving social issues related to health.

*1 Tetsuo Endo et. al., Appl. Microbiol. Biotechnol. 53, 257-261 (2000)
*2 Substances that serve as a selective source of nutrients for and promote the growth and proliferation of microorganisms beneficial to human body
*3 Abbreviation for Generally Recognized As Safe. A certificate for the product to be safe under the conditions of its intended use.
*4 Refers to infant and follow-up formulas except special formula for infants with medical or dietary problem.

Kirin Holdings Company, Limited, has continued to focus on research and development, mainly of the Kirin's proprietary ingredient *Lactococcus lactis* strain Plasma ("LC-Plasma"), that will lead to the expansion of its health science business. To further accelerate R&D activities in the Health Science domain, the Company established the Institute of Health Sciences on April 1, 2023. With this new institute, we will transition to a system that more accurately grasps market and customer health issues, generates cutting-edge health science research results, and accelerates business utilization. We also aim to develop new functions, accelerate the transition to foods with functional claims, and increase people's awareness of the functions of ingredients by linking research and marketing.

At the 11th Technology Management & Innovation Awards (hosted by the Japan Techno-Economics Society), which recognize outstanding innovations that will change the world, we received the Minister of Education, Culture, Sports, Science and Technology Award for our discovery, research, and commercialization of LC-Plasma. Furthermore, at the FY2023 National Commendation for Invention (hosted by the Japan Institute of Invention and Innovation), Kirin Holdings Company, Limited, and Koiwai Dairy Products Company, Limited received the Imperial Invention Prize for our invention of food compositions for immunostimulation containing lactic acid bacteria (Japanese patent number 6598824). The Imperial Invention Prize was awarded in recognition of the invention and efforts related to the discovery and commercialization of LC-Plasma, which are jointly developed and commercialized by the both companies. This is the first award given to a health food ingredient and the first to a food company in 59 years.

Regarding LC-Plasma, Nagasaki University conducted the specified clinical research on patients with COVID-19 using LC-Plasma. While the subjective symptom overall score, which is one of the primary endpoints, showed no specific effect of LC-Plasma, this specified clinical research implied the possibility that plasmacytoid dendritic cells (hereinafter, "pDC"[*1]), which are a leader of the immune system, can be maintained by the action of LC-Plasma, resulting in early reduction of COVID-19 viruses leading to early recovery from odor and taste disorders. We expect LC-Plasma to be one of the new materials used to prevent and treat COVID-19.

In research in the field of immunology, Kirin Holdings and Kao Corporation participated in the Wakayama Health Promotion Study, a cohort study[*2] led by Wakayama Medical University and organized by the Health Promotion Research Center (HPRC), a non-profit organization. Kao and Kirin Holdings launched a joint study in November 2022 to investigate the relationship between visceral fat and pDC activity.[*3] As a result, we confirmed that high visceral fat levels are associated with low pDC activity (low immune function) and that high visceral fat levels and low pDC activity are associated with a high risk of contracting COVID-19 and influenza for the first time in Japan.[*4] These are results that have not yet been reported in any paper in the world.[*5]

In terms of "matured hops" that Kirin Holding independently discovered and developed, the Company won the FY2023 Award for Achievement in Technological Research of the Japan Society for Bioscience, Biotechnology, and Agrochemistry (JSBBA) in high recognition of the study and business application ("Discovery and business application of matured hops with the properties of improving cognitive function and reducing body fat by activation of brain-gut correlation"). At the Outstanding Private Agriculture, Forestry and Fisheries Researcher Award that honors excellent research and development related to agriculture, forestry, fisheries, or other related industry mainly conducted by the private sector (hosted by the Ministry of Agriculture, Forestry and Fisheries (MAFF) and Japan Association for Techno-innovation in Agriculture, Forestry and Fisheries (JATAFF), we won the JATAFF Chairman Award. We are promoting the social implementation using "matured hops" as an evidence-based food material.

In collaboration with Dr. Homei Miyashita Laboratory of Meiji University, we have developed a unique electric current waveform that enhances the saltiness of low-sodium foods about 1.5 times.[*6] With the goal of creating a service that would enable customers concerned about salt reduction to achieve healthy eating habits, we have developed spoon- and bowl-shaped "Electric-Salt" devices that incorporate this technology. Towards the future release in Japan by the end of 2024, we are developing a demonstration experiment to verify the potential demand in various channels including retail stores, EC sites, and company restaurants. Dr. Miyashita won the Ig Nobel Prize (Nutrition) in the 2023 Ig Nobel Prizes.

In the area of environmental research, we addressed the development of PET[*7] chemical recycling[*8] technologies that can achieve high-efficiency environmental load reduction. As a result, we have developed an alkali cracking method for a quick PET degradation process with low energy. In a joint research with Waseda University, we have developed a monomer purification method using electrodialysis, which can be applied to the process of refining monomers[*9] after PET degradation to reduce both environmental impact and costs. These two technologies are patent pending. Combining these technologies will also enable recycling of chemicals used in the decomposition and purification processes.

In terms of collaboration with Group companies, we continue to promote cooperation with FANCL CORPORATION for research and development using AI and other projects in the Health Science domain. We have acquired Blackmores Limited, an Australian company engaged in the business of health food (natural health) such as supplements, as a subsidiary. This acquisition will enhance our product lineup and capability of the health science business and expand the growth opportunities and scale of the business along with the regions in which it is deployed. By widely creating synergies in the business domains in which the both companies operate, we will be able to solve more health-related social issues.

Research and development expenses for other businesses and the entire company (common) totaled 11.4 billion yen.

*1 Immune cells that serve as leaders and play an important role when a bacteria or virus enters the body. Activation of pDC activates various immune cells such as NK cells, T cells, and B cells, which actively work to protect against viral infection.

*2 One of the observational research methods to study the relation between disease factors and the onset. By creating groups involved in specific disease factors and uninvolved groups, and calculating the incidence rate of the target disease within each group, it is possible to examine the relation between the disease factors and the onset.

*3 Percentage of pDCs producing antiviral factors upon stimulation that mimics viral infection

*4 Based on article and abstract information published in PubMed and the Journal of Health Care and Society Web (retrieval with search terms "pDC activity, visceral fat, and infectious disease incidence" as of November 22, 2023, according to KnowledgeWire)

*5 Based on article information published in PubMed and the Journal of Health Care and Society Web (retrieval with search terms "pDC activity, visceral fat, and infectious disease incidence" as of November 22, 2023, according to KnowledgeWire)

*6 Change value of evaluation regarding saltiness intensity in a sample that imitates ordinary food and a sample with 30% less salt. Tested using chopsticks equipped with the Electric-Salt technology (current 0.1-0.5 mA). Thirty-one men and women aged 40-65 years who are/were currently or have been reducing salt were asked about the saltiness intensity they perceived when eating the test food, and 29 of the 31 respondents answered that the saltiness had increased.

*7 Polyethylene terephthalate

*8 A method of synthesizing PET back again from a PET intermediate material that has been degraded and purified

*9 The smallest unit that makes up PET (polymer)

III. INFORMATION ABOUT FACILITIES

1. OVERVIEW OF CAPITAL EXPENDITURES

The Kirin Group has made capital expenditures to offer products that respond to customer needs while building an efficient production system. Capital expenditures for this fiscal year totaled ¥90,786 million.
In Japan Beer and Spirits Businesses, mainly Kirin Brewery Company, Limited has newly established and enlarged manufacturing facilities in plants to rebuild its production base and improve productivity. As a result, capital expenditures in Japan Beer and Spirits Businesses amounted to ¥16,819 million.
In Japan Non-alcoholic Beverages Businesses, Kirin Beverage Company, Limited has renewed vending machines and invested in manufacturing facilities in plants to improve profit. As a result, capital expenditures in Japan Non-alcoholic Beverages Businesses amounted to ¥9,915 million.
In Oceania Adult Beverages Business, Lion Pty Ltd has invested in manufacturing facilities to expand and streamline production facilities. As a result, capital expenditures in Oceania Adult Beverages Business amounted to ¥14,729 million.
In Pharmaceuticals Businesses, Kyowa Kirin Co., Ltd. has invested in manufacturing facilities and research facilities to expand and streamline production facilities and enhance R&D capabilities. As a result, capital expenditures in Pharmaceuticals Businesses amounted to ¥17,678 million.
Capital expenditures in other businesses amounted to ¥31,644 million.
We recorded impairment losses of ¥18,332 million for this fiscal year. Details of impairment losses are as stated in "V. FINANCIAL INFORMATION, Notes to Consolidated Financial Statements, 9. IMPAIRMENT OF NON-FINANCIAL ASSETS."

2. MAJOR FACILITIES

The Kirin Group's major facilities as of the end of this fiscal year are as follows:
Amounts are carrying amounts under IFRS.

(1) BREAKDOWN BY SEGMENT

As of December 31, 2023

Segment	Carrying amount (¥ millions)					Number of employees (persons)
	Buildings and structures	Machinery, equipment and vehicles	Land	Others	Total	
Japan Beer and Spirits	47,380	40,734	27,428	18,450	133,992	4,356 [1,278]
Japan Non-alcoholic Beverages	9,765	15,596	7,947	14,890	48,198	3,408 [541]
Oceania Adult Beverages	58,522	89,510	25,493	9,229	182,754	3,956 [416]
Pharmaceuticals	49,724	11,647	13,044	20,432	94,847	5,974 [233]
Others	53,209	36,898	18,301	21,859	130,267	11,203 [1,088]
Sub-total	218,600	194,385	92,213	84,859	590,058	28,897 [3,556]
Eliminations or corporate	4,952	△1,851	△6,490	6,259	2,870	1,286 [–]
Total	223,553	192,534	85,723	91,118	592,928	30,183 [3,556]

(2) INFORMATION ABOUT REPORTING COMPANY

As of December 31, 2023

Office (Location)	Segment	Description of facilities	Carrying amount (¥ millions)					Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m^2)	Others	Total	
Head office, etc. (Nakano-ku, Tokyo, etc.)	Others and corporate	Other facilities	8,471	1,428	1,642 (177)	7,375	18,916	977 [–]

(3) DOMESTIC SUBSIDIARIES

As of December 31, 2023

Company name	Office (Location)	Segment	Description of facilities	Carrying amount (¥ millions)					Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m^2)	Others	Total	
Kirin Brewery Company, Limited	Yokohama Plant and 8 other plants (Tsurumi-ku, Yokohama, etc.)	Japan Beer and Spirits	Manufacturing facilities	36,608	33,917	23,842 (2,669)	5,669	100,037	1,427 [106]
Kirin Beverage Company, Limited	Shutoken Regional Head Office (Chiyoda-ku, Tokyo)	Japan Non-alcoholic Beverages	Other facilities	12	–	–	6,139	6,151	203 [20]
Kirin Beverage Company, Limited	Shonan Plant (Samukawa-machi, Koza-gun, Kanagawa)	Japan Non-alcoholic Beverages	Manufacturing facilities	4,553	10,048	1,980 (74)	1,269	17,849	226 [35]
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki, Gunma)	Pharmaceuticals	Manufacturing facilities	18,328	7,453	374 (142)	11,295	37,499	546 [37]
Kyowa Kirin Co., Ltd.	Ube Plant (Ube, Yamaguchi)	Pharmaceuticals	Manufacturing facilities	5,015	1,696	–	1,031	7,742	208 [25]
Kyowa Kirin Co., Ltd.	Tokyo Research Park (Machida, Tokyo)	Pharmaceuticals	Research facilities	2,690	7	3,366 (35)	1,453	7,517	161 [3]
Kyowa Kirin Co., Ltd.	Fuji Research Park (Nagaizumi-cho, Suntou-gun, Shizuoka)	Pharmaceuticals	Research facilities	4,576	45	252 (82)	1,334	6,206	289 [5]
Kyowa Kirin Co., Ltd.	Head Office (Chiyoda-ku, Tokyo)	Pharmaceuticals	Administration facilities, etc.	3,321	844	1,247 (2)	336	5,749	1,259 [46]

(4) OVERSEAS SUBSIDIARIES

As of December 31, 2023

Company name (Primary location)	Segment	Description of facilities	Carrying amount (¥ millions)					Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m^2)	Others	Total	
Lion Pty Ltd (Australia)	Oceania Adult Beverages	Manufacturing facilities, etc.	37,638	70,374	22,332 (8,691)	8,112	138,457	2,553 [378]
Lion Global Craft Beverages Pty Ltd (Australia)	Oceania Adult Beverages	Manufacturing facilities, etc.	20,884	19,136	3,161 (806)	1,117	44,297	1,403 [38]
Coca-Cola Beverages Northeast, Inc. (USA)	Others	Manufacturing facilities, etc.	15,551	16,292	5,837 (1,388)	12,692	50,373	3,492 [35]

The carrying amounts of Lion Pty Ltd and Lion Global Craft Beverages Pty Ltd are their consolidated accounting figures. The carrying amount of Coca-Cola Beverages Northeast, Inc. is its non-consolidated accounting figures.

Notes:
1. The above amounts include the carrying amounts of right-of-use assets. The above amounts do not include consumption taxes.
2. The carrying amounts of “Others” include tools, fixtures and fittings, and construction in progress.
3. The number of temporary employees indicated in the square brackets represents the average number of temporary employees per year.
4. There are no major facilities that are currently out of operation.

3. PLANNED ADDITIONS, RETIREMENTS, AND OTHER CHANGES OF FACILITIES

Planned additions of major facilities as of the end of this fiscal year are as follows:
We have no planned retirements or other changes of major facilities.

Company name	Office (Location)	Segment	Description of facilities	Expected investment amount		Start date and expected completion date	
				Total amount (¥ millions)	Amount paid (¥ millions)	Start	Complete
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki, Gunma)	Pharmaceuticals	Establishment of a new bio-pharmaceutical API production facility	16,760	1,038	November 2022	March 2025
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki, Gunma)	Pharmaceuticals	Establishment of a new warehouse building	7,200	123	October 2023	October 2025
Kirin Biomaterials Co., Ltd.	Yamaguchi Office (Hofu, Yamaguchi)	Others	Establishment of new clinical trial drug substance manufacturing facilities	12,800	488	October 2022	June 2025

Note:
We plan to procure the required funds above from cash on hand.

IV. INFORMATION ABOUT REPORTING COMPANY

1. COMPANY'S SHARES, ETC.

(1) TOTAL NUMBER OF SHARES, ETC.

1) Total number of shares

Class	Total authorized shares (shares)
Ordinary shares	1,732,026,000
Total	1,732,026,000

2) Outstanding shares

Class	Number of shares outstanding as of fiscal year end (shares) (December 31, 2023)	Number of shares outstanding as of filing date (shares) (March 28, 2024)	Name of financial instruments exchange on which securities are listed or authorized financial instruments firms association to which securities are registered	Description
Ordinary shares	914,000,000	914,000,000	The Tokyo Stock Exchange (Prime Market)	Note 1
Total	914,000,000	914,000,000	–	–

Notes:
1. Ordinary shares are shares with full voting rights and the Company's standard shares without any limitation on the rights of the shares. The number of shares constituting one unit is 100 shares.
2. In the United States, the Company's shares are traded in the secondary market for private equity in the form of ADR (American Depository Receipt).
3. As for the Sapporo Securities Exchange, the Nagoya Stock Exchange, and the Fukuoka Stock Exchange, the Company applied for delisting on November 9, 2023 and was delisted on December 28, 2023.

(2) SHARE ACQUISITION RIGHTS

1) Share option plans

Not applicable.

2) Rights plans

Not applicable

3) Share acquisition rights for other uses

Not applicable.

(3) EXERCISES OF MOVING STRIKE CONVERTIBLE BONDS, ETC.

Not applicable.

(4) CHANGES IN TOTAL OUTSTANDING SHARES, SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

Date	Increase (decrease) in total outstanding shares (thousand shares)	Balance of total outstanding shares (thousand shares)	Increase (decrease) in share capital (¥ millions)	Balance of share capital (¥ millions)	Increase (decrease) in additional paid-in capital (¥ millions)	Balance of additional paid-in capital (¥ millions)
February 27, 2015 (Note)	(51,000)	914,000	–	102,046	–	81,412

Note: The decrease was due to the cancellation of treasury shares.

(5) SHAREHOLDING BY SHAREHOLDER CATEGORY

As of December 31, 2023

Category	Shareholding status (Number of shares constituting one unit: 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	3	185	51	2,109	766	542	384,765	388,421	–
Number of shares held (units)	131	2,773,001	587,703	287,361	2,268,110	1,552	3,206,207	9,124,065	1,593,500
Percentage of shareholdings (%)	0.00	30.39	6.44	3.15	24.86	0.02	35.14	100.00	–

Notes:
1. The number of treasury shares is 102,215,135, of which 1,022,151 units and 35 shares are included and presented in “Individuals and others” and “Shares less than one unit,” respectively.
2. “Other corporations” include 70 units registered in the name of Japan Securities Depository Center, Incorporated.

(6) MAJOR SHAREHOLDERS

As of December 31, 2023

Name	Address	Number of shares held (thousand shares)	Shareholding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsucho 2-chome, Minato-ku	144,197	17.76
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku	57,717	7.10
Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	1-1, Marunouchi 2-chome, Chiyoda-ku (8-12, Harumi 1-chome, Chuo-ku)	31,346	3.86
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101, U.S.A. (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku)	17,856	2.19
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku	16,127	1.98
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku)	15,928	1.96
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE CONGRESS STREET, SUITE 1, BOSTON MASSACHUSETTS, U.S.A. (11-1, Nihonbashi 3-chome, Chuo-ku)	10,156	1.25
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi-Kayabacho 1-chome, Chuo-ku	10,048	1.23
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku	9,357	1.15
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku)	8,593	1.05
Total	–	321,329	39.58

Notes:
1. The Company holds 102,215 thousand treasury shares (11.18%), but is excluded from the major shareholders above.
2. Sumitomo Mitsui Trust Asset Management Co., Ltd. submitted a statement of large-volume holdings (statement of changes) on January 10, 2024 with the joint holder of Nikko Asset Management Co., Ltd. However, the Company is not able to fully confirm the number of shares held by these corporations as of December 31, 2023, therefore, they are not included in the list of major shareholders above.
   According to the statement of large-volume holdings (statement of changes), the shareholding status of the corporations as of December 29, 2023 is as follows:

Name	Address	Number of shares held (thousand shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1, Shibakoen 1-chome, Minato-ku, Tokyo	27,437	3.00
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo	19,408	2.12
Total	–	46,846	5.13

3. Mitsubishi UFJ Financial Group, Inc. submitted a statement of large-volume holdings (statement of changes) on August 7, 2023 with the joint holders of Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and MUFG Securities (Canada), Ltd. However, the Company is not able to fully confirm the number of shares held by these corporations as of December 31, 2023, therefore, they are not included in the list of major shareholders above.
   According to the statement of large-volume holdings (statement of changes), the shareholding status of the corporations as of July 31, 2023 is as follows:

Name	Address	Number of shares held (thousand shares)	Shareholding ratio (%)
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	26,169	2.86
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	9,696	1.06
MUFG Securities (Canada), Ltd.	Royal Bank Plaza, South Tower, Suite 2940, 200 Bay Street, Toronto, Ontario M5J 2J1, CANADA	1,800	0.20
Total	–	37,665	4.12

4. BlackRock Japan Co., Ltd. submitted a statement of large-volume holdings (statement of changes) on August 19, 2021 with nine other corporations as joint holders. However, the Company is not able to fully confirm the number of shares held by these corporations as of December 31, 2023, therefore, they are not included in the list of major shareholders above.
   According to the statement of large-volume holdings (statement of changes), the shareholding status of the corporations as of August 13, 2021 is as follows:

Name	Address	Number of shares held (thousand shares)	Shareholding ratio (%)
BlackRock Japan Co., Ltd.	8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	12,550	1.37
BlackRock Advisers, LLC	251 Little Falls Drive, Wilmington, DE, United States	1,254	0.14
BlackRock Investment Management LLC	251 Little Falls Drive, Wilmington, DE, United States	1,168	0.13
BlackRock (Netherlands) BV	Amstelplein 1, 1096 HA Amsterdam, Netherlands	1,879	0.21
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, United Kingdom	1,508	0.17
BlackRock Asset Management Canada Limited	161 Bay St Suite 2500 Toronto, ON, Canada	1,279	0.14
BlackRock Asset Management Ireland Limited	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, Ireland	4,241	0.46
BlackRock Fund Advisors	400 Howard Street, San Francisco, CA, United States	13,247	1.45
BlackRock Institutional Trust Company, N.A.	400 Howard Street, San Francisco, CA, United States	17,071	1.87
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue, London, United Kingdom	1,528	0.17
Total	–	55,730	6.10

(7) VOTING RIGHTS

1) Outstanding shares

As of December 31, 2023

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Ordinary shares 102,215,100	–	They are the Company's standard shares without any limitation on the rights of the shares. The number of shares constituting one unit is 100 shares.
Shares with full voting rights (other)	Ordinary shares 810,191,400	8,101,914	Same as above
Shares less than one unit	Ordinary shares 1,593,500	–	–
Total outstanding shares	914,000,000	–	–
Voting rights held by all shareholders	–	8,101,914	–

Notes:

1. "Shares with full voting rights (other)" of ordinary shares include 7,000 shares (voting rights of 70 units) registered in the name of Japan Securities Depository Center, Incorporated.
2. "Shares with full voting rights (other)" of ordinary shares include 1,911,000 shares (voting rights of 19,110 units) held in the Board Incentive Plan (BIP) Trust. The voting rights of 19,110 units are not exercised.
3. "Shares less than one unit" of ordinary shares include 35 treasury shares.

2) Treasury shares, etc.

As of December 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Shareholding ratio (%)
(Treasury shares) Kirin Holdings Company, Limited	10-2, Nakano 4-chome, Nakano-ku, Tokyo	102,215,100	–	102,215,100	11.18
Total	–	102,215,100	–	102,215,100	11.18

Note: The above treasury shares do not include 1,911,000 shares held in the BIP Trust.

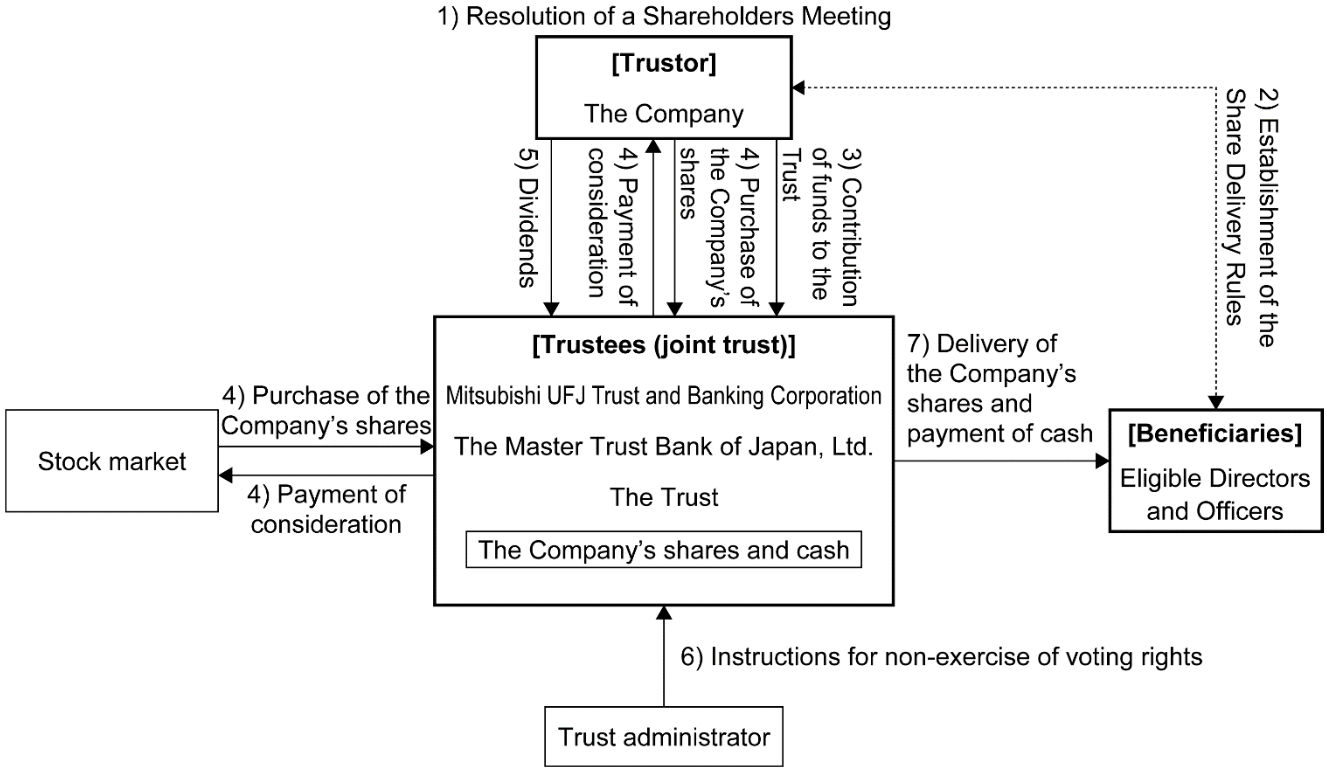
(8) SHARE OWNERSHIP PLAN FOR DIRECTORS, OFFICERS, AND EMPLOYEES

The Company has introduced a trust-type stock compensation plan for the Company's Directors of the Board (excluding Non-executive Directors) and Executive Officers (excluding those concurrently serving as Directors of the Board, and those in an employment relationship with the Company) ("Eligible Directors and Officers") who are residents in Japan (the "Trust Plan").

1) Outline of the Trust Plan

The Trust Plan is a scheme under which a trust established and funded by the Company (the "Trust") acquires Company shares. Under the Trust Plan, a trust established and funded by the Company (the "Trust") acquires Company shares and, in principle delivers and pays for (collectively, the "Delivery") the those shares and cash equivalent to the proceeds from the realization of Company shares that are realizable (the "Company's Shares and Cash") to Eligible Directors and Officers who have been granted points pursuant to the Company's Share Delivery Rules (the "Grantees of Points").

(i) Scheme of the Trust



1) The Company has obtained approval at the 181st Ordinary General Meeting of Shareholders held on March 27, 2020 on the introduction of the Trust Plan relating to officers' remuneration. Subsequently, the Company has obtained approval at the 183rd Ordinary General Meetings of Shareholders held on March 30, 2022 (the "Shareholders Meeting") on the partial revision of the Trust Plan relating to officers' remuneration.
2) The Company shall establish the Share Delivery Rules with respect to the Trust Plan by way of a resolution of the Board.
3) In extending the period of the Trust, the Company shall contribute additional funds to the Trust within the limit approved by the resolution of the Shareholders Meeting in 1).
4) The Trust shall acquire the Company's shares either from the stock market or the Company using funds already held by the Trust and/or the aforementioned additional funds to be provided to the Trust (see 3 above), in accordance with the instructions of the trust administrator(s).
5) Dividends shall be paid on the Company's shares held by the Trust, in the same way as other Company shares.
6) Voting rights of the Company's shares held in the Trust shall not be exercised during the trust period in order to ensure neutrality of the Trust in relation to management of the Company.
7) During the trust period, Eligible Directors and Officers shall be granted points at a certain time each fiscal year, and in the fiscal year following the final fiscal year of the Medium-Term Business Plan in principle, pursuant to the Company's Share Delivery Rules. Grants shall depend on the level of achievement of major performance indicators set out in the Medium-Term Business Plan as well as other indicators as may be determined by the Board. The timing and method of Delivery of the Company's Shares and Cash to the Grantees of Points is set out in (ii) 8) below.

Note: If, during the trust period, the number of shares held in the Trust seems likely to fall short of the number of shares corresponding to the number of points as prescribed for the Eligible Directors and Officers (details are set out in (ii) 6) below), or, if the amount of cash held by the Trust seems likely to fall short of the payment of fees and expenses of the Trust, the Company may contribute additional funds to the Trust within the upper limit of the cash contribution by the Company as set out in (ii) 5) below. In this way, the Trust may acquire additional Company shares.

(ii) Framework of the Trust Plan
The framework of the Trust Plan is as follows:

1) Resolution at the Shareholders Meeting regarding the Trust Plan
Matters necessary for the Trust Plan, including the upper limit of cash contributions by the Company, and the upper limit to the number of the Company's shares to be delivered, have been resolved at the Shareholders Meeting.
When the Trust is renewed as stipulated in 4) below, the Company shall, by way of resolution of the Board, amend the trust agreement and execute the contribution of additional funds to the Trust upon the expiry of the trust period within the limit approved by the resolution at the Shareholders Meeting.
2) Those eligible under the Trust Plan
The Company's Eligible Directors and Officers who are residents in Japan
3) Applicable period of the Trust Plan
The applicable period of the Trust Plan shall be the fiscal years covered by the Company's Medium-Term Business Plan (the "Applicable Period").
4) Trust period
The number of years corresponding to the Applicable Period in 3) above
* Upon expiry of the period of the Trust, the Company intends to continue operating the Trust Plan by either establishing a new Trust, or amending the trust agreement for the existing Trust whose trust period has expired and contributing additional funds to the Trust. In the latter case, the period of the Trust shall be extended in accordance with the number of years of the Applicable Period corresponding to the Company's Medium-Term Business Plan in place at the time.
* Upon expiration of the period of the Trust and, in the event that amendment to the trust agreement and contribution of additional funds to the Trust is decided against, such points shall no longer be granted to Eligible Directors and Officers. However, if any Grantee of Points exists who satisfies all beneficiary requirements at that point in time, the period of the Trust may be extended up to the completion of the Delivery of Company's Shares and Cash to that Grantee of Points.
5) Upper limit of the cash contribution by the Company
¥1,450 million per fiscal year
* On the first day of the Applicable Period, the Company shall contribute cash up to the amount calculated by multiplying ¥1,450 million by the number of fiscal years during the Applicable Period.
* This shall be the sum of the funds for the share acquisition by the Trust, the trust fees, and expenses during the trust period.

6) Method for calculating the number and value of the Company's Shares and Cash for the Delivery and the upper limit thereof

The number and value of the Company's Shares and Cash for the Delivery to the Grantees of Points shall be determined by the number of points granted based on the executive rank of respective Eligible Directors and Officers, the level of achievement of certain performance targets, and other factors at a certain time each fiscal year and at a certain time in the fiscal year following the final fiscal year of the medium-term business plan.

Specifically, the number of points shall be composed of the Single-Year PSU linking to the level of achievement of performance for a single fiscal year, the RSU without performance requirements, and the Medium-Term Plan PSU linking to the level of achievement of performance under the Medium-Term Business Plan for multiple fiscal years. That is, as for the Single-Year PSU and the Medium-Term Plan PSU, setting as the performance evaluation period, for the Single-Year PSU, each fiscal year during the Applicable Period and, for the Medium-Term Plan PSU, the Applicable Period, the number of points calculated by multiplying the basic points predetermined based on the stock compensation base amount for each executive rank (which shall be, for the Medium-Term Plan PSU, the cumulative total of the basic points calculated over the Applicable Period based on the stock compensation base amount for each executive rank in each fiscal year during the Applicable Period), by the performance-linked factor[*1] determined based on the level of achievement of performance targets in each performance evaluation period, shall be granted in the fiscal year following each performance evaluation period. As for the RSU, the number of points predetermined based on the stock compensation base amount for each executive rank shall be granted in the next fiscal year of each fiscal year during the Applicable Period.

In this case, the upper limit of the total number of points granted to the Eligible Directors and Officers per fiscal year shall be 1,000,000[*2]. This upper limit has been set in consideration of factors including the upper limit of the cash contribution by the Company in 5) above.

As for the Company's Shares and Cash, for the Delivery to the Grantees of Points, one point shall be converted into one ordinary share of the Company. However, for the Company's shares convertible into cash under the Company's Share Delivery Rules, an amount of cash equivalent to the proceeds from the conversion shall be paid. If the number of the Company's shares held in the Trust increases or decreases due to a share split or share consolidation during the trust period, the Company shall adjust the number and value of the Company's Shares and Cash for the Delivery depending on the ratio of such increase or decrease.

*1 The performance-linked factor shall be evaluated based on both financial and non-financial indicators under the Medium-Term Business Plan for each performance evaluation period. The performance-linked factor for the Single-Year PSU and the Medium-Term Plan PSU shall be variable ranging between 0% and 200%.

*2 The upper limit of the total number of points granted to Eligible Directors and Officers per fiscal year shall be the sum of the Single-Year PSU, the RSU, and the Medium-Term Plan PSU. The Medium-Term Plan PSU shall be added by converting the number of points granted for multiple fiscal years into the average number of points per fiscal year. Given one share is delivered for each point, the total number of shares delivered shall amount to 1,000,000, which is equivalent to approximately 0.123% of the total number of the Company's shares outstanding (as of December 31, 2023, excluding treasury shares).

7) Method for acquiring the Company's shares

The Trust intends to acquire the Company's shares either from the stock market or from the Company in consideration of the upper limit of the cash contribution by the Company in 5) above and the upper limit of the total number of points to be granted in 6) above.

8) Timing and method of the Delivery of the Company's Shares and Cash to the Grantees of Points

The Grantees of Points who meet beneficiary requirements under the Company's Share Delivery Rules shall, by following the prescribed beneficiary-determining procedure at a certain point in time after the lapse of two years from the start of the fiscal year when such points were granted for the Single-Year PSU, at a certain point in time after the lapse of three years from when the number of points was determined for the RSU, and at a certain point in time in the fiscal year following the final fiscal year of the Medium-Term Business Plan for the Medium-Term Plan PSU, in principle, receive delivery of the number of the Company's shares (where shares less than one unit shall be counted as one unit) corresponding to the points granted for the Single-Year PSU, and the RSU and a certain proportion of the points granted for the Medium-Term Plan PSU, along with the payment of cash equivalent to the proceeds from the realization of the number of the Company's shares corresponding to the outstanding portion of the points.

9) Voting rights of the Company's shares

Voting rights of the Company's shares held by the Trust shall not be exercised during the trust period, in order to ensure neutrality of the Trust in relation to management of the Company.

10) Dividends on the Company's shares held in the Trust

Dividends on the Company's shares held in the Trust shall be received by the Trust, and, in principle, used to pay for Trust fees and expenses.

11) Other details of the Trust Plan

Other details of the Trust Plan shall be determined by the Board following deliberations by the Nomination and Remuneration Advisory Committee whenever the Trust is established, the trust agreement is amended, or additional funds are contributed to the Trust.

(iii) Outline of the trust agreement

The outline of the trust agreement is as follows:

1)	Type of trust	Money trust other than individually managed designated money trust (third party benefit trust)
2)	Objective of trust	Provision of incentives for Eligible Directors and Officers
3)	Trustor	The Company
4)	Trustee	Mitsubishi UFJ Trust and Banking Corporation Joint trustee: The Master Trust Bank of Japan, Ltd.
5)	Beneficiaries	Eligible Directors and Officers who have been granted points in accordance with the Company's Share Delivery Rules and have acquired beneficiary rights
6)	Trust administrator	A third party without interest in the Company (certified public accountant)
7)	Trust agreement date	May 15, 2020 (An amended agreement was entered into on May 12, 2022.)
8)	Trust period	From May 15, 2020 to June 30, 2025 (The period was extended for three years from June 30, 2022 by the amended agreement entered into on May 12, 2022.)
9)	Exercise of voting rights	Not to be exercised
10)	Class of shares to be acquired	Ordinary shares of the Company
11)	Total amount of shares to be acquired	¥3,093,606,000
12)	Method for acquiring shares	Acquired treasury shares of the Company through a third-party allotment
13)	Holder of vested rights	The Company
14)	Residual assets	If there are remaining shares upon termination of the trust, they will be realized after the Company's shares and the proceeds of the sale of the Company's shares held as trust assets are delivered and paid to all the beneficiaries. If the amount of cash held as a trust asset exceeds the total amount of trust fund less the share acquisition fund, which is equivalent to the trust expenses reserve, the excess amount shall be contributed to the organization stipulated in the trust agreement, and the amount not exceeding the amount equivalent to the trust expenses reserve shall be paid to the Company as holder of vested rights.

2) Total number of the Company's shares to be acquired under the Trust Plan

Up to 1,000,000 shares

3) Persons entitled to receive beneficiary rights and other rights under the Trust Plan

Eligible Directors and Officers who have been granted points in accordance with the Company's Share Delivery Rules and have acquired beneficiary rights

2. ACQUISITION AND DISPOSAL OF TREASURY SHARES

CLASS OF SHARES, ETC. Acquisition of ordinary shares under Article 155, Item 3 and Item 7 of the Companies Act

(1) ACQUISITION BY RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS

Not applicable.

(2) ACQUISITION BY RESOLUTION OF BOARD MEETING

Acquisition under the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Act

Category	Number of shares (shares)	Total amount (¥ thousands)
Details of resolution at the Board meeting held on February 14, 2022 (Period for acquisition: February 15, 2022 to February 14, 2023)	30,000,000	50,000,000
Treasury shares acquired before the fiscal year ended December 31, 2023	23,714,800	49,999,869
Treasury shares acquired during the fiscal year ended December 31, 2023	–	–
Total number and value of remaining treasury shares authorized	6,285,200	130
Percentage unused as of December 31, 2023 (%)	20.9	0.0
Treasury shares acquired during the period from January 1, 2024 until the filing date of this Annual Securities Report	–	–
Percentage unused as of the filing date (%)	20.9	0.0

(3) ACQUISITION NOT BASED ON RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS OR BOARD MEETING

Acquisition under Article 155, Item 7 of the Companies Act

Category	Number of shares (shares)	Total amount (¥ thousands)
Treasury shares acquired during the fiscal year ended December 31, 2023	10,087	21,055
Treasury shares acquired during the period from January 1, 2024 until the filing date of this Annual Securities Report	2,000	4,232

Note: Treasury shares acquired during the period from January 1, 2024 until the filing date of this Annual Securities Report do not include shares acquired due to requests for purchase of shares less than one unit from March 1, 2024 to the filing date of this Annual Securities Report.

(4) DISPOSAL OF ACQUIRED TREASURY SHARES AND NUMBER OF TREASURY SHARES HELD

Category	Fiscal year ended December 31, 2023		From January 1, 2024 until the filing date of this Annual Securities Report	
	Number of shares (shares)	Total amount of disposal (¥ thousands)	Number of shares (shares)	Total amount of disposal (¥ thousands)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that were canceled	–	–	–	–
Acquired treasury shares that were transferred for merger, share exchange, share issuance and company split	–	–	–	–
Other (shares acquired due to requests for additional purchase of shares less than one unit)	630	1,313	194	409
Other (treasury shares that were disposed of through a third-party allotment as a result of the introduction of the BIP Trust Plan)	–	–	–	–
Treasury shares held	102,215,135	–	102,216,941	–

Notes:

1. “Other (shares acquired due to requests for additional purchase of shares less than one unit)” during the period from January 1, 2024 until the filing date of this Annual Securities Report do not include shares acquired due to requests for additional purchase of shares less than one unit from March 1, 2024 to the filing date of this Annual Securities Report.
2. “Treasury shares held” during the period from January 1, 2024 until the filing date of this Annual Securities Report do not include shares acquired due to requests for purchase of shares less than one unit or shares acquired due to requests for additional purchase of shares less than one unit from March 1, 2024 to the filing date of this Annual Securities Report.

3. DIVIDEND POLICY

Based on the capital policy formulated in the 2022 MTBP, the Company will allocate resources to its businesses and distribute profits to its shareholders as set out below.

Regarding resource allocation to businesses, giving top priority to growth investment with a focus on the Health Science domain, the Company will make investments that contribute to enhancement of existing businesses and profitability improvement. The Company will also implement a stable and continuous allocation of resources to intangible value (such as brands, research and development, information and communication technology (ICT), and human resources) as well as new business creation that sustain the growth of future cash flows. The Company will take a disciplined approach to investments in terms of maintaining and improving the Kirin Group's capital efficiency. We view the distribution of profits to shareholders as a key management matter. Since its foundation in 1907, the Company has continued to pay dividends to shareholders every financial year without fail. The Company has stably and continuously provided dividends based on a consolidated dividend payout ratio on normalized EPS of at least 40%. In addition, we will consider opportunities to acquire treasury shares as additional shareholder returns, comprehensively taking into account various factors including optimum capital structure, market conditions and reserve funds after investments.

With regard to the distribution of surplus funds for FY2023, based on a consolidated dividend payout ratio on normalized EPS of at least 40%, the Company decided to pay an interim dividend of ¥34.5 per share and a year-end dividend of ¥36.5 per share, for an annual dividend totaling ¥71 per share.

The Company's Articles of Incorporation stipulates that the Company may pay an interim dividend as prescribed in Article 454, Paragraph 5 of the Companies Act. The Company pays dividends twice a fiscal year as an interim dividend and a year-end dividend. The payment of interim dividends and year-end dividends from surplus is to be resolved by the Board of Directors and the General Meeting of Shareholders, respectively.

Note: The resolution date of the Board of Directors meeting or General Meeting of Shareholders regarding dividends from surplus whose record date falls within this fiscal year as well as the total amount of dividends and dividend paid per share as per resolution are as follows:

Date of resolution by the Board of Directors:	August 8, 2023
Total amount of dividends:	¥28,007 million
Dividend paid per share:	¥34.5
Date of resolution by General Meeting of Shareholders:	March 28, 2024
Total amount of dividends:	¥29,630 million
Dividend paid per share:	¥36.5

4. CORPORATE GOVERNANCE

(1) OVERVIEW OF CORPORATE GOVERNANCE

1) Basic views on corporate governance

In line with the Corporate Philosophy and "One KIRIN" Values that are shared across the Kirin Group, the Kirin Group recognizes that achieving "2027 Vision" in its Long-Term Management Vision "Kirin Group Vision 2027" (KV2027) will lead to sustainable growth for the Group and improvement of its corporate value over the medium- to long-term, and also establishes a corporate governance system that is capable of effectively and efficiently achieving this goal.

The Group recognizes that collaboration with stakeholders is essential to realizing the Corporate Philosophy and "2027 Vision" based on the Corporate Philosophy, and respects each stakeholder's position.

The Group will promptly disclose information to shareholders and investors based on transparency, fairness and continuity, and will actively engage in constructive dialogue with shareholders and investors to fulfill the accountability in good faith.

Corporate Philosophy:

KIRIN brings joy to society by crafting food and healthcare products inspired by the blessings of nature and the insights of our customers.

2027 Vision:

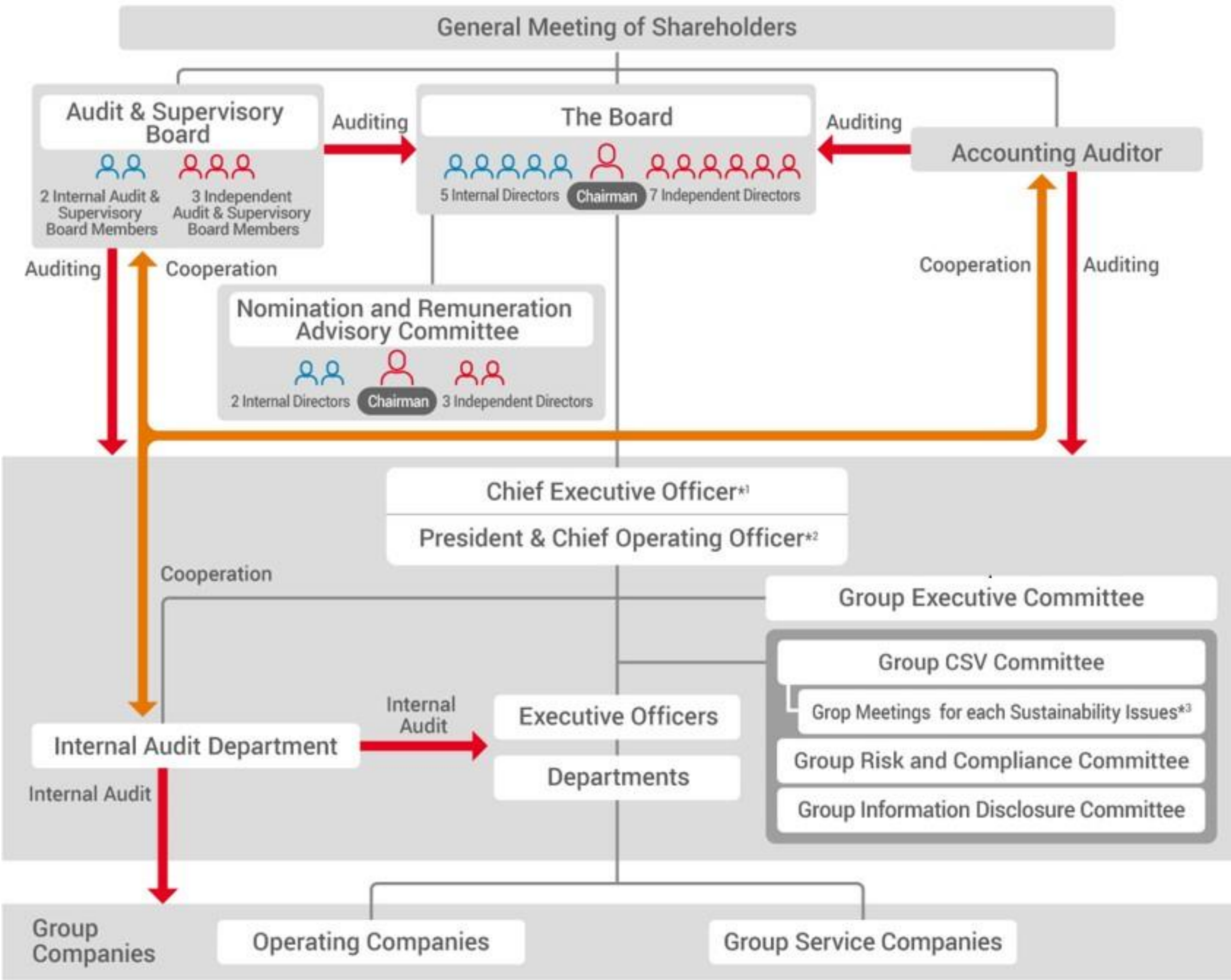
A global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals

"One KIRIN" Values:

"Passion. Integrity. Diversity."

2) Outline of the corporate governance system and reasons for adopting this system

The Company's corporate governance system is as follows:



*1 Chief Executive Officer(CEO) : The Executive Officer responsible for overseeing the overall management of the Group.
*2 Chief Operating Officer(COO) : The Executive Officer responsible for overseeing the business operations of the Group.
*3 Group Environmental Meeting, Group Business and Human Rights Meeting, Group Health and Safety Meeting, etc.

Overview and reasons for adoption of the system

The Company has adopted a pure holding company structure as a means of controlling its diverse and global business, which is centered on three domains of Food & Beverages, Pharmaceuticals, and Health Science. As a pure holding company, the Company takes on the role of devising and implementing the Group's overall strategies, monitoring individual businesses, creating synergy through coordination across the Group, and addressing issues related to sustainability.

The Kirin Group companies conduct their business autonomously with a sense of speed, while maintaining close ties with local customers and other stakeholders. The Company grants appropriate authority to match the strategic stages of Group companies, and improves governance through Directors of the Boards or the Boards of Group companies by dispatching Directors of the Board to those companies. Directors of the Board or Executive Officers of the Company serve concurrently as Director of the Board at key Group companies.

The Company adopts a Company with Audit and Supervisory Board system, and aims to maintain and improve on a highly transparent governance system for its stakeholders. The Board, which includes a number of Non-executive Directors, works closely with the Audit and Supervisory Board, which also includes a number of Audit & Supervisory Board Members, and makes effective use of the statutory and some other auditing function to take final decisions on important matters. At the same time, the Board endeavors to reinforce the monitoring function on management.

The Company has introduced an executive officer based system in order to implement strategies for each of its businesses and functions in an agile fashion and clarify executive responsibilities. The Board has established the scope of the responsibility of Executive Officers based on experience, performance and specialization in their respective fields.

(i) The Board and its Members

a) Overview

- The Company has twelve (12) Directors of the Board, including seven (7) Non-executive Directors, and Board meetings are chaired by a Non-executive Director.
- The Board aims to ensure the Group's sustainable growth and the improvement of corporate value over the medium to long term in order to promote the interests of the Group and the common interests of its shareholders in keeping with the Group's fiduciary responsibility and accountability vis-a-vis its shareholders.
- The Board takes decisions on legal matters and on the execution of the Group's important operations, which include the Long-Term Management Visions, the Medium-Term Business Plans and yearly business plans across the Group and at key Group companies. The Board is also responsible for monitoring the execution of professional duties of Directors of the Board, and for developing appropriate internal control systems across the Group, etc.
- Taking into account the knowledge, experience, skills and insight, etc. that are necessary for turning the 2027 Vision into a reality, the Board is composed of the appropriate number of members, ensuring overall balance and diversity. In addition, in order to build a highly transparent governance system and ensure the effectiveness of objective management supervision, the majority of currently appointed Directors of the Board are Independent Non-executive Directors.
- Regarding the ten (10) Group companies: Kirin Brewery Company, Limited; Kirin Beverage Company, Limited; Mercian Corporation; Lion Pty Ltd; Coca-Cola Beverages Northeast, Inc.; Kyowa Kirin Co., Ltd.; Kyowa Hakko Bio Co., Ltd.; Blackmores Limited; San Miguel Brewery Inc.; and FANCL Corporation, the Directors of the Board, Executive Officers (limited to those who have a delegated relationship with the Company. The same shall apply hereinafter), or their equivalents of the Company are appointed as Director of the Board (including Non-executive Directors) of each company and supervise the performance of duties in order to strengthen governance of the Group overall.
- The Company has appointed Non-executive Directors in order to carry out the above decision-making and management monitoring in a more appropriate fashion and at a higher level. The Non-executive Directors provide valuable feedback and advice on the Company's corporate decisions from a practical, objective and specialist perspective based on their extensive experience as corporate managers. The Company does not provide any standing members to serve Non-executive Directors. The Secretary Section of the People & Culture Department of the Company provides support to Non-executive Directors as well as Directors.
- Additionally, the Company has established the Internal Audit Department within the Company to evaluate the effectiveness of an internal control system for the entire Group, and to conduct and preside over internal audits within the Company and at Group companies.
- The composition of the Board at the time of the filing of this report is as follows:
  Hiroyuki Yanagi (Chairman of the Board, Non-executive Director), Yoshinori Isozaki, Takeshi Minakata, Junko Tsuboi, Toru Yoshimura, Shinjiro Akieda, Masakatsu Mori (Non-executive Director), Noriko Shiono (Non-executive Director), Rod Eddington (Non-executive Director), George Olcott (Non-executive Director), Shinya Katanozaka (Non-executive Director), Yoshiko Ando (Non-executive Director)

b) Evaluation of the Effectiveness of the Board

Kirin Holdings defines the Board's two primary functions as making important corporate decisions and providing supervisory oversight. The Company conducts evaluations of Board operations and meeting content once a year (from November to December) to both ensure those functions are being fulfilled and to continually improve its efficiency by identifying points to make the meetings more effective in the next fiscal year.

- Fiscal 2023 discussion points
  1. Strengthening of monitoring on strategy execution
  2. Discussions on "inorganic growth" utilizing expertise and organizational knowledge
  3. Discussions on "dialogue with stakeholders" in line with changes in the business environment
  4. Discussions on "risk management" integrating strategy and risks
  5. Improvement of information sharing from the Nomination and Remuneration Advisory Committee
- Fiscal 2023 evaluations
  The Company conducts a survey including evaluation criteria based on the research of third-party advisors during the period of November through December every year. The result of the survey is reported and discussed at the Board meeting to be held in January of the following

year in light of the existing initiatives and improvements. Evaluation criteria and evaluation results are as follows.

- Evaluation criteria
  1. Composition and operation of the Board
  2. Development, execution and monitoring of strategies
  3. Supervision of risk management and crisis control
  4. Supervision of decision-making on business acquisition/withdrawal, etc.
  5. Supervision of remuneration for officers and succession plan, etc.
  6. Thorough understanding and implementation of healthy corporate ethics and supervision thereof
  7. Supervision of overall disclosures to stakeholders
  8. Strengthening points to improve the effectiveness of the Board
- Evaluation results
  The Board is functioning properly overall and the effectiveness of the Board is ensured.
- Points receiving positive evaluations
  1. The Board is making appropriate decisions in terms of making important corporate decisions and providing supervisory oversight, and the effectiveness of the Board is ensured at a high level.
  2. The Board has set appropriate agendas and has improved the quality of discussions.
  3. The Board continues to make improvements and innovations to enhance its effectiveness and is generally operating appropriately.
- Points to improve in fiscal 2024
  Management has specified three points for improvement in FY2024 based on the opinions and areas for improvement indicated in the evaluations in FY2023 with a view for the changing business environment. The Company continually seeks to maintain and enhance the effectiveness of the Board by further improving its operation in addition to setting the agenda under the Chairman of the Board Hiroyuki Yanagi, an Independent Non-executive Director.
  1. Discussions on “strengthening of corporate governance”
  2. Discussions on “integrated strategy and risks” to realize appropriate risk-taking
  3. Discussions on “digital ICT strategy” to accelerate value creation

(ii) Audit and Supervisory Board and its Members

- The Company has five (5) Audit & Supervisory Board Members, of whom two (2) are Standing Audit & Supervisory Board Members, and three (3) are Audit & Supervisory Board Members.
- In keeping with its fiduciary responsibility toward shareholders, the Audit and Supervisory Board ensures the soundness of management with an eye to the Group’s sustainable growth and the improvement of corporate value over the medium to long term, and acts to ensure the common interests of the shareholders.
- The Audit and Supervisory Board makes use of the ability of the Standing Audit & Supervisory Board Members to gather information within the Group and the independence of Audit & Supervisory Board Members. The Audit and Supervisory Board also develops a system to ensure that the audits carried out by each Audit & Supervisory Board Member are effective.
- In order to intensify the provision of information to Non-executive Directors, the Audit and Supervisory Board exchanges opinions with Non-executive Directors, and provides them with information obtained in the course of auditing.
- In addition, the Company has established the Audit & Supervisory Board Support Section as a structure to organizationally and effectively assist duties of Audit & Supervisory Board Members in order to enhance the audit function of the Audit & Supervisory Board Members.
- The composition of the Audit & Supervisory Board at the time of the filing of this report is as follows:
  Shobu Nishitani, Toru Ishikura, Kaoru Kashima (Audit & Supervisory Board Member), Kenichi Fujinawa (Audit & Supervisory Board Member), Yoko Dochi (Audit & Supervisory Board Member)

(iii) Nomination and Remuneration Advisory Committee

- The Nomination and Remuneration Advisory Committee has been set up to deal with the nomination and remuneration of Directors of the Board, Executive Officers and Audit & Supervisory Board Members.
- The Nomination and Remuneration Advisory Committee is composed of five (5) Directors of the Board, consisting of two (2) Directors and three (3) Non-executive Directors. The chairperson of the Committee is appointed out of the Non-executive Directors. As an advisory body to the Board, the Committee discusses the following matters from an objective and fair perspective, and reports to the Board. The matters that are discussed and reported on include: policy for the appointment/dismissal of Directors of the Board, Executive Officers and Audit & Supervisory Board Members, and proposal of candidates; system, standards and amounts for the remuneration of Directors of the Board, Executive Officers and Audit & Supervisory Board Members; plans for the succession of the Chief Executive Officer (CEO) and Chief Operating Officer (COO). In addition, the Committee, based on the delegation of the Board, conducts activities including individual performance evaluations with respect to bonuses for Directors of the Board and Executive Officers.
- The composition of the Nomination and Remuneration Advisory Committee at the time of filing this report is as follows:
  Noriko Shiono (Chairperson, Non-executive Director), Shinya Katanozaka (Non-executive Director), Yoshiko Ando (Non-executive Director), Yoshinori Isozaki, Takeshi Minakata

(iv) Group Executive Committee

- The Company has established the Group Executive Committee as an advisory body to support the President & COO in decision making. It strives to improve the quality of the decision-making relating to the Group’s management by holding Group Executive Committee meetings in a timely fashion with the Executive Officers including the President & COO, Standing Audit & Supervisory Board Members, Professional Advisor, etc. to discuss strategies and investments that have significant implications for business.
- The composition of the Group Executive Committee at the time of the filing of this report is as follows:

Hiroaki Takaoka (Chairperson), Yoshinori Isozaki, Takeshi Minakata, Junko Tsuboi, Toru Yoshimura, Shinjiro Akieda, Mitsuharu Yamagata, Hiroshi Fujikawa, Akiyoshi Iwasaki, Akihito Yokoyama, Kazufumi Nagashima, Hideki Mitsuhashi, Shobu Nishitani, Toru Ishikura, Ryosuke Mizouchi

(v) Other bodies advising to the President & COO
- The Group CSV Committee with jurisdiction over CSV activities for the entire Group has been set up, as well as the Group Risk and Compliance Committee with jurisdiction over risk management and compliance, thus promoting the entire Group's efforts.
- The Group Information Disclosure Committee has been set up as an advisory body for decisions relating to information disclosure to shareholders and investors, to improve management transparency through the promotion of timely, fair and impartial disclosure.

(Reference)
- CSV Management
https://www.kirinholdings.com/en/impact/csv_management/
- Group Risk and Compliance Committee (Risk Management Initiatives)
https://www.kirinholdings.com/en/purpose/governance/risk_management/

3) Other information relating to corporate governance

(i) Maintenance of internal control system

The Board of Directors of the Company formulated the basic policy for the internal control system to ensure appropriate performance groupwide. Under this policy, the Company works to design and operate an appropriate internal control system for the groupwide compliance, risk management, financial disclosures, and other issues. In addition, the Company verifies the design and operation of the internal controls annually to make sure that the department in charge of internal controls acts autonomously and that the system works effectively, and then reports the verification results to the Board of Directors. For the details of the internal controls, see the following:

(Reference)
Basic policy for the internal control system
https://www.kirinholdings.com/en/purpose/files/pdf/policy_internalcontrolsystem.pdf

(ii) Maintenance of risk management system

The Directors of the Board shall establish basic policy on the risk management of the Kirin Group and promote the policy by developing effective structures and provisions to execute the policy and by integrating it with activities in each organization. In addition, the Directors of the Board shall implement educational programs on risk management, clarify procedures concerning the disclosure of risks and responses to the occurrence of crises, and make those procedures public throughout the Group. The Internal Audit Department shall carry out internal audits to ensure that these systems are properly developed and applied.

(iii) Number of Directors of the Board

The Articles of Incorporation stipulate that the Company shall have no more than twelve (12) Directors of the Board.

(iv) Resolution requirements for the election of Directors of the Board

The Articles of Incorporation stipulate that resolution requirements for the election of Directors of the Board shall be adopted by the presence of holders of one third or more of the voting rights held by all shareholders entitled to exercise their voting rights and a majority of the voting rights of the shareholders so present, and that no cumulative voting shall be used for the election.

(v) Exemption from liabilities of Directors of the Board and Audit & Supervisory Board Members

The Articles of Incorporation stipulate that the Company may, by resolution of the Board, in accordance with Article 426, Paragraph 1 of the Companies Act, exempt any Director of the Board (including former Directors of the Board) and Audit & Supervisory Board Member (including former Audit & Supervisory Board Members) from the liabilities under Article 423, Paragraph 1 of the Act, to the extent provided in laws and regulations. The purpose is to ensure that Directors of the Board and Audit & Supervisory Board Members sufficiently perform the roles expected of them in executing their duties.

(vi) Outline of Contracts for Limitation of Liability

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with each Non-executive Director and Audit & Supervisory Board Member to limit their liability for damages set forth in Article 423, Paragraph 1 of the said Act. The maximum amount of liability under this agreement is the minimum liability amount stipulated in Article 425, Paragraph 1 of the said Act.

(vii) Outline of the Company's Indemnification Agreement

The Company has entered into indemnification agreements with Directors and Audit & Supervisory Board Members as provided for under Article 430-2, Paragraph 1 of the Companies Act, under which the Company shall indemnify them for the expenses stipulated in item (i) and the loss stipulated in item (ii) of said paragraph to the extent provided for in laws and regulations. However, in order to ensure that the appropriateness of the execution of duties by the indemnitees of the Company is not impaired, there are certain conditions that are not covered under the indemnification agreement, such as a case where the Company determines that the execution of compensation for damages is objectively inappropriate.

(viii) Outline of Directors and Officers liability insurance contracts

The Company has entered into Directors and Officers liability insurance contracts with an insurance company as provided in Article 430-3, Paragraph 1 of the Companies Act, wherein the insured persons include Directors of the Board, Audit & Supervisory Board Members, Executive Officers, etc. of the Company and its subsidiaries. The Company and its subsidiaries bear all insurance premiums.

This insurance contract covers compensation for damages, legal, and other such costs in the event that an insured person(s) is liable for damages arising from their conduct. However, damages caused by criminal or fraudulent acts etc. committed by insured persons are excluded. In addition, there is a provision for a deductible amount and damages that do not reach the deductible amount are not covered by this insurance contract.

(ix) Acquisition of treasury shares

The Articles of Incorporation stipulate that, in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act, the Company may acquire its own shares through market transactions, etc. by resolution of the Board. The purpose is to carry out dynamic management strategies including financial policies.

(x) Interim dividends

The Articles of Incorporation stipulate that, by resolution of the Board, the Company may pay interim dividends on the basis of June 30 each year as the record date, under Article 454, Paragraph 5 of the Companies Act. The purpose is to return profits to shareholders flexibly.

(xi) Special resolution requirements for the General Meeting of Shareholders

The Articles of Incorporation stipulate that the requirements for special resolution at a General Meeting of Shareholders provided in Article 309, Paragraph 2 of the Companies Act shall be adopted by the presence of holders of one third or more of the voting rights held by all shareholders entitled to exercise their voting rights and two thirds or more of the voting rights of the shareholders so present. This provision aims to ensure the smooth operation of a General Meeting of Shareholders by easing the quorum for special resolutions at the meeting.

4) Activities of the Board and the Nomination and Remuneration Advisory Committee during the fiscal year under review

(i) Frequency

(a) The Board

In principle, the Company holds a regular meeting of the Board once a month and held 13 regular meetings in FY2023. The Company also holds extraordinary meetings of the Board as necessary and held two extraordinary meetings in FY2023.

(b) Nomination and Remuneration Advisory Committee

In principle, the Company holds a regular meeting of the Nomination and Remuneration Advisory Committee once a month and held 13 meetings in FY2023.

(ii) Main considerations

(a) The Board

During the fiscal year under review, the Board held focused deliberations on the following points.

Topics	Details of deliberations at Board meetings
Monitoring of strategy implementation and formulation of business strategies for the next fiscal year	To further enhance the level of strategy implementation, the Board supervised the status of strategy implementation by regularly monitoring both business and functional strategies. The Board also deliberated on the formulation of the business plan for the next fiscal year redundantly, taking into account changes in the external environment including the market and competition.
Discussions on the business portfolio strategy	The Board deliberated on the optimal business portfolio strategy to maximize corporate value and resolved to continue to conduct business in the three domains of Food & Beverages, Pharmaceuticals, and Health Science without changing the direction of the business portfolio based on KV2027.
Activities and deliberations of the Nomination and Remuneration Advisory Committee	To strengthen the supervisory function of the Nomination and Remuneration Advisory Committee over the details of deliberations on the succession planning, the Board regularly received reports from the Nomination and Remuneration Advisory Committee on its activities and the details of deliberations to supervise the Committee.
Other important business execution	The Board carefully deliberated and resolved on M&A deals, including the acquisition of Blackmores Limited.

(b) Nomination and Remuneration Advisory Committee

During the fiscal year under review, the Nomination and Remuneration Advisory Committee held focused deliberations on the following points.

Topics	Details of deliberations at Nomination and Remuneration Advisory Committee meetings
Topics related to nomination	In addition to the election and retirement of officers for FY2024 and the succession planning for the CEO, the Committee deliberated on the proposal for the next-generation management system and the creation of a sustainable mechanism to maintain the quality of the management team. The Committee also reported the annual activity plan to the Board in May and subsequently reported the activities and deliberation details to the Board on a regular basis.
Topics related to remuneration	With respect to officers' remuneration, the Committee deliberated on the evaluation of performance and the determination of amounts for FY2023, as well as the policy and design for determining the amounts for FY2024, and reported the results to the Board in February 2024.

(iii) Attendance of Directors and Audit & Supervisory Board Members at meetings

Category	Name	Attendance at Board meetings	Attendance at Nomination and Remuneration Advisory Committee meetings
Non-executive Director (Chairman of the Board)	Masakatsu Mori	15 out of 15 meetings (100%)	–
President & Chief Executive Officer	Yoshinori Isozaki	15 out of 15 meetings (100%)	13 out of 13 meetings (100%)
Senior Executive Vice President	Keisuke Nishimura	15 out of 15 meetings (100%)	–
Director of the Board	Toshiya Miyoshi	15 out of 15 meetings (100%)	13 out of 13 meetings (100%)
Director of the Board	Noriya Yokota	3 out of 3 meetings (100%)	–
Director of the Board	Takeshi Minakata	15 out of 15 meetings (100%)	–
Director of the Board	Junko Tsuboi	12 out of 12 meetings (100%)	–
Non-executive Director	Hiroyuki Yanagi	15 out of 15 meetings (100%)	13 out of 13 meetings (100%)
Non-executive Director (Chairperson of the Nomination and Remuneration Advisory Committee)	Chieko Matsuda	15 out of 15 meetings (100%)	13 out of 13 meetings (100%)
Non-executive Director	Noriko Shiono	15 out of 15 meetings (100%)	13 out of 13 meetings (100%)
Non-executive Director	Rod Eddington	12 out of 15 meetings (80%)	–
Non-executive Director	George Olcott	14 out of 15 meetings (93%)	–
Non-executive Director	Kaoru Kato	3 out of 3 meetings (100%)	–
Non-executive Director	Shinya Katanozaka	11 out of 12 meetings (92%)	–
Standing Audit & Supervisory Board Member	Keiji Kuwata	3 out of 3 meetings (100%)	–
Standing Audit & Supervisory Board Member	Shobu Nishitani	15 out of 15 meetings (100%)	–
Standing Audit & Supervisory Board Member	Toru Ishikura	12 out of 12 meetings (100%)	–
Audit & Supervisory Board Member	Yoshiko Ando	14 out of 15 meetings (93%)	–
Audit & Supervisory Board Member	Kaoru Kashima	15 out of 15 meetings (100%)	–
Audit & Supervisory Board Member	Kenichi Fujinawa	15 out of 15 meetings (100%)	–

* The number of meetings in the table is different due to differences in the time of assuming office.
* The titles are as of the end of the current fiscal year and differ from the ones at the time of the filing of this report.

5) Skill matrix of Directors, Executive Officers, and Audit & Supervisory Board Members

The skill matrix of Directors, Executive Officers, and Audit & Supervisory Board Members at the time of the filing of this report is as follows.

(i) Directors

Title	Name	Corporate Management	CSV / ESG	Finance / Accounting	HR / Organization Development	Legal / Risk Management	Manufacture / Quality Assurance	Brand Strategy / Marketing	Overseas Business	R&D / Health Science / Pharmaceuticals	ICT / DX
Representative Director of the Board & CEO	Yoshinori Isozaki	●	●	●		●		●	●	●	
Representative Director of the Board, President & COO	Takeshi Minakata	●	●	●			●		●	●	
Director of the Board, Senior Executive Vice President	Junko Tsuboi	●	●		●	●		●		●	
Director of the Board, Senior Executive Officer	Toru Yoshimura	●	●	●			●		●	●	●
Director of the Board, Senior Executive Officer	Shinjiro Akieda	●	●	●		●		●	●		●
Director	Masakatsu Mori	●		●					●		●
Director	Hiroyuki Yanagi	●					●	●	●		
Director	Noriko Shiono	●						●	●	●	
Director	Rod Eddington	●							●		
Director	George Olcott		●	●	●				●		
Director	Shinya Katanozaka	●			●			●	●		
Director	Yoshiko Ando		●		●	●					

(ii) Executive Officers

Title	Name	Corporate Management	CSV / ESG	Finance / Accounting	HR / Organization Development	Legal / Risk Management	Manufacture / Quality Assurance	Brand Strategy / Marketing	Overseas Business	R&D / Health Science / Pharmaceuticals	ICT / DX
Senior Executive Officer	Mitsuharu Yamagata		●					●	●	●	●
Senior Executive Officer	Hiroshi Fujikawa	●	●		●			●	●		
Senior Executive Officer	Akiyoshi Iwasaki	●	●				●		●		
Senior Executive Officer	Akihito Yokoyama		●		●		●			●	●
Senior Executive Officer	Kazufumi Nagashima	●	●				●		●	●	
Senior Executive Officer	Hideki Mitsuhashi	●	●			●			●	●	●
Senior Executive Officer	Hideki Horiguchi	●	●					●	●		
Senior Executive Officer	Kazuhiro Inoue		●					●		●	
Senior Executive Officer	Koji Fukada	●	●				●		●	●	

(iii) Audit & Supervisory Board Members

Title	Name	Corporate Management	CSV / ESG	Finance / Accounting	HR / Organization Development	Legal / Risk Management	Manufacture / Quality Assurance	Brand Strategy / Marketing	Overseas Business	R&D / Health Science / Pharmaceuticals	ICT / DX
Standing Audit & Supervisory Board Member	Shobu Nishitani		●	●					●		
Standing Audit & Supervisory Board Member	Toru Ishikura		●				●			●	
Audit & Supervisory Board Member	Kaoru Kashima			●	●						
Audit & Supervisory Board Member	Kenichi Fujinawa		●			●			●	●	
Audit & Supervisory Board Member	Yoko Dochi		●	●					●		

Skills required for the Board of Directors and the Audit & Supervisory Board

The Company has selected the skills required for the Board of Directors and the Audit & Supervisory Board as follows.

First, comprehensive capabilities of “Corporate Management” through experience in management and business executives, and expertise and experience in “CSV,” which is the foundation of the Company’s management, are important skills as the basic premise.

Second, in making final decisions on important matters, it is necessary to have a deep understanding of the Company’s business domain. In particular, expertise and experience in “Health Science” and “Pharmaceuticals,” which will drive the long-term growth of the Kirin Group, are skills that the Company, which oversees the Kirin Group, should prioritize. In addition, expertise and experience in the following areas are required: “R&D,” “Manufacture,” “Quality Assurance,” and “Brand Strategy/Marketing,” which form the foundation of the Company’s business domain; “Overseas Business,” which is necessary to promote global expansion; “ICT/DX,” which is becoming essential to transforming business models; and “HR/Organization Development,” which supports the implementation of these business and functional strategies. The above-mentioned skills are required to fulfill the supervisory function over management. In addition, expertise and experience in “Finance/Accounting,” “Legal,” “Risk Management,” and “ESG” are particularly essential from the perspective of realizing effective corporate governance.

In the skill matrix in this report, highly related skills are listed together. Although the necessary skills will change in accordance with future changes in the business environment, the Company believes that the Board of Directors and the Audit & Supervisory Board as of the time of submitting this report possess the skills required at this time as a whole.

(2) DIRECTORS OF THE BOARD AND AUDIT & SUPERVISORY BOARD MEMBERS

1) List of Directors of the Board and Audit & Supervisory Board Members

Twelve (12) males (including two (2) non-Japanese) and five (5) females (female ratio of 29.4%, non-Japanese ratio of 11.8%)

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
Representative Director of the Board & CEO	Yoshinori Isozaki	August 9, 1953	April 1977	Joined the Company	*1	71,948
			March 2004	Director of San Miguel Corporation		
			March 2007	General Manager of Corporate Planning Dept. of the Company		
			March 2008	Executive Officer and General Manager of Corporate Planning Dept. of the Company		
			March 2009	Senior Executive Officer and General Manager of Corporate Planning Dept. of the Company		
			March 2010	Managing Director of the Company (resigned in March 2012)		
			March 2012	President & COO of Kirin Brewery Company, Limited (resigned in January 2015)		
			January 2013	President & Chief Executive Officer of Kirin Company, Limited		
			March 2015	President & Chief Executive Officer of the Company		
			September 2021	President & COO of Kirin Brewery Company, Limited (resigned in January 2022)		
			March 2024	Representative Director of the Board & CEO of the Company (present position)		
Representative Director of the Board, President & COO	Takeshi Minakata	December 31, 1961	April 1984	Joined the Company	*1	8,835
			March 2012	General Manager of Corporate Planning Dept. of Kirin Brewery Company, Limited		
			January 2013	Executive Officer and General Manager of Corporate Planning Dept. of Kirin Company, Limited Executive Officer and General Manager of Corporate Planning Dept. of Kirin Brewery Company, Limited		
			March 2015	Senior Executive Officer and Director of Group Strategy Planning of the Company Senior Executive Officer and General Manager of Corporate Planning Dept. of Kirin Company, Limited		
			March 2016	Senior Executive Officer of the Company (resigned in March 2018)		
			April 2016	President and CEO of Myanmar Brewery Limited		
			March 2018	Executive Director of the Board, President & Chief Executive Officer of Kyowa Hakko Bio Company, Limited (resigned in December 2021)		
			March 2020	Senior Executive Officer of the Company		
			March 2022	Director of the Board, Senior Executive Officer of the Company Director of Kyowa Kirin Company, Limited		
			April 2022	Director of the Board, Senior Executive Officer, President of the Health Science Division of the Company		
			August 2023	Director of the Board, Blackmores Limited (present position)		
			March 2024	Representative Director of the Board, President & COO of the Company (present position)		
Director of the Board, Senior Executive Vice President	Junko Tsuboi	August 8, 1962	April 1985	Joined the Company	*1	19,931
			March 2005	General Manager of Corporate Communication Dept. of Kirin Beverage Company, Limited		
			March 2010	Director of the Board, President and CEO of Yokohama Akarenga Inc.		
			March 2012	General Manager of CSR Promotion Dept. and Corporate Communication Dept. of the Company		
			November 2012	General Manager of Corporate Communication Dept. of the Company		
			January 2013	General Manager of Strategic Branding Dept., CSV Division of Kirin Company, Limited		
			March 2014	Executive Officer, General Manager of Strategic Branding Dept., CSV Division of Kirin Company, Limited		
			March 2019	Senior Executive Officer, General Manager of Strategic Branding Dept. of the Company		
			June 2020	Outside Director of FANCL Corporation (present position)		
			March 2022	Senior Executive Officer of the Company		
			March 2023	Director of the Board, Senior Executive Officer of the Company		
			March 2024	Director of the Board, Senior Executive Vice President of the Company (present position)		

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
Director of the Board, Senior Executive Officer	Toru Yoshimura	June 8, 1964	April 1988 March 2016 March 2017 March 2018 March 2019 March 2021 March 2022 March 2024	Joined the Company General Manager of Corporate Planning Dept. of Kirin Company, Limited Director of Group Alliance Strategy of the Company Executive Officer and General Manager of Corporate Planning Dept. of Kirin Company, Limited Executive Officer and Director of Group Alliance Strategy of the Company Senior Executive Officer and General Manager of Corporate Planning Dept. of Kirin Company, Limited Senior Executive Officer and General Manager of Corporate Planning Dept. of the Company Director of the Board of Kirin Beverage Company, Limited Director of the Board of Kirin Brewery Company, Limited Senior Executive Officer of the Company President and CEO of Kirin Beverage Company, Limited Director of the Board, Senior Executive Officer of the Company (present position) Director of the Board, Blackmores Limited (present position)	*1	9,942
Director of the Board, Senior Executive Officer	Shinjiro Akieda	July 18, 1965	April 1988 March 2010 March 2013 March 2015 March 2017 March 2018 March 2019 March 2020 January 2022 March 2022 March 2023 March 2024	Joined the Company Chairman and CEO of Taiwan Kirin Company, Limited Executive Officer and General Manager of Corporate Planning Dept. of Mercian Corporation Executive Officer and General Manager of Corporate Planning Dept. of Kirin Beverage Company, Limited Senior Executive Officer and General Manager of Corporate Planning Dept. of Kirin Beverage Company, Limited Executive Officer and General Manager of Corporate Planning Dept. of Kirin Brewery Company, Limited Executive Officer and General Manager of Corporate Planning Dept. of the Company Executive Officer and General Manager of Corporate Planning Dept. and DX Strategy Dept. of the Company Executive Officer and General Manager of Corporate Planning Dept. of the Company Director of the Board of Kirin Brewery Company, Limited Senior Executive Officer and General Manager of Corporate Planning Dept. of the Company Senior Executive Officer of the Company Director of the Board, Senior Executive Officer of the Company (present position) Director of Kyowa Kirin Company, Limited (present position)	*1	8,468
Director of the Board	Masakatsu Mori	January 22, 1947	April 1969 February 1989 December 1995 April 2003 September 2005 September 2007 October 2009 October 2012 November 2013 March 2015 April 2018 March 2019	Joined Arthur Andersen, LLP Japan Representative of Andersen Consulting (currently Accenture Japan Ltd.) President and Management Director of Andersen Consulting Chairman and Management Director of Accenture Japan Ltd. Chairman and Director of Accenture Japan Ltd. Chief Corporate Advisor of Accenture Japan Ltd. President of International University of Japan Trustee of International University of Japan Vice Chairman of International University of Japan Audit & Supervisory Board Member of the Company Senior Advisor of International University of Japan (present position) Non-executive Director of the Company (present position)	*1	24,600
Director of the Board	Hiroyuki Yanagi	November 20, 1954	April 1978 March 2010 January 2018 March 2019 March 2021 January 2022 March 2022	Joined Yamaha Motor Co., Ltd. President, Chief Executive Officer and Representative Director of Yamaha Motor Co., Ltd. Chairman and Representative Director of Yamaha Motor Co., Ltd. Non-executive Director of the Company (present position) Chairman and Director of Yamaha Motor Co., Ltd. Director of Yamaha Motor Co., Ltd. Adviser of Yamaha Motor Co., Ltd. (present position)	*1	5,200

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
Director of the Board	Noriko Shiono	October 18, 1960	August 1983 March 2010 January 2014 May 2016 October 2017 March 2018 March 2019 March 2020	Joined Japan New Media Co., Ltd. Representative Director, President of SSP Co., Ltd. President and Corporate Officer of Konami Sports & Life Co., Ltd. (currently Konami Sports Co., Ltd.) Chairman, Director of Konami Sports Co., Ltd. President of Widex Japan Non-executive Director of Kirin Company, Limited Strategic Advisor of the Company Non-executive Director of the Company (present position)	*1	9,889
Director of the Board	Rod Eddington	January 2, 1950	September 1979 April 1992 April 2000 March 2011 March 2012 March 2020	Joined John Swire & Sons (H.K.) Ltd. Managing Director of Cathay Pacific Airways Limited Chief Executive Officer of British Airways plc Director of Lion Pty Ltd Chairman, Independent Non-Executive Director of Lion Pty Ltd (present position) Non-executive Director of the Company (present position)	*1	–
Director of the Board	George Olcott	May 7, 1955	July 1986 February 1999 June 2000 September 2001 March 2005 March 2008 April 2014 March 2020	Joined S.G. Warburg & Co., Ltd. President of UBS Asset Management (Japan) President of Japan UBS Brinson Group Managing Director, Equity Capital Market, UBS Warburg Tokyo Judge Business School, University of Cambridge FME Teaching Fellow, Judge Business School, University of Cambridge Senior Fellow, Judge Business School, University of Cambridge Guest Professor, Faculty of Business and Commerce, Keio University Non-executive Director of the Company (present position)	*1	3,100
Director of the Board	Shinya Katanozaka	July 4, 1955	April 1979 April 2013 April 2015 April 2022 March 2023	Joined ALL NIPPON AIRWAYS CO., LTD. (currently ANA HOLDINGS INC.) Representative Director, Senior Executive Vice President of ANA HOLDINGS INC. Representative Director, President & Chief Executive Officer of ANA HOLDINGS INC. Chairman of the Board of Directors of ANA HOLDINGS INC. (present position) Non-executive Director of the Company (present position)	*1	700
Director of the Board	Yoshiko Ando	March 17, 1959	April 1982 April 2003 July 2006 July 2011 July 2013 July 2014 October 2015 June 2016 July 2017 March 2019 March 2024	Entered the Ministry of Labor Lieutenant Governor of Shiga Prefecture Director of Equal Employment Policy Div. of Equal Employment, Children and Families Bureau of the Ministry of Health, Labour and Welfare (MHLW) Director-General of the Saitama Labor Bureau of MHLW Director-General of Industrial Accident Compensation Department of Labour Standards Bureau of MHLW Director-General of Equal Employment, Children and Families Bureau of MHLW Director-General for Labour Policy Planning of MHLW Director-General for Statistics and Information Policy of MHLW Director-General for Human Resources Development of MHLW Audit & Supervisory Board Member of the Company Non-executive Director of the Company (present position)	*1	6,500
Standing Audit & Supervisory Board Member	Shobu Nishitani	November 29, 1963	April 1987 October 2011 March 2014 March 2016 April 2016 March 2017 April 2019 March 2022	Joined the Company Director of San Miguel Brewery Inc. Group Finance Director of the Company Director of Lion Pty Ltd General Manager of Accounting Dept. of Kirin Company, Limited Executive Officer and General Manager of Accounting Dept. of Kirin Company, Limited Executive Officer and General Manager of Internal Audit Dept. of the Company Standing Audit & Supervisory Board Member of the Company (present position) Audit & Supervisory Board Member of Kyowa Hakko Bio Company, Limited (present position)	*2	5,008

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
Standing Audit & Supervisory Board Member	Toru Ishikura	November 30, 1963	April 1989	Joined the Company	*3	4,800
			March 2015	General Manager of Technology Management Dept. of Research & Development Division of Kirin Company, Limited		
			April 2015	General Manager of Research & Development Strategy Dept. of Research & Development Division of Kirin Company, Limited		
			March 2018	Executive Officer, General Manager of Research & Development Strategy Dept. of Research & Development Division of Kirin Company, Limited		
			April 2019	Executive Officer, Vice President of Research & Development Division and General Manager of Research & Development Strategy Dept. of the Company		
			March 2020	Director of the Board, Kyowa Hakko Bio Company, Limited		
			April 2020	Executive Officer, General Manager of Health Business Strategy Office, Corporate Strategy Dept. of the Company		
			April 2022	Executive Officer, General Manager of Health Science Business Dept., Health Science Business Division of the Company		
			March 2023	Standing Audit & Supervisory Board Member of the Company (present position) Audit & Supervisory Board Member of Kyowa Kirin Company, Limited (present position)		
Audit & Supervisory Board Member	Kaoru Kashima	January 20, 1958	November 1981	Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)	*4	–
			April 1985	Registered as a certified public accountant		
			June 1996	Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)		
			June 2002	Senior Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC)		
			July 2006	In charge of personnel of HR Development Headquarters of ShinNihon & Co.		
			September 2010	Managing Director of Ernst & Young ShinNihon LLC In charge of Corporate Culture Promotion Office, Public Relations Office		
			July 2012	General Manager of Knowledge Headquarters, Managing Director of Ernst & Young ShinNihon LLC		
			July 2013	Representative Director of Ernst & Young Institute Co., Ltd.		
			March 2020	Audit & Supervisory Board Member of the Company (present position)		
Audit & Supervisory Board Member	Kenichi Fujinawa	February 18, 1955	April 1980	Registered as lawyer in Japan Joined Nagashima & Ohno	*2	–
			October 1988	Partner of Nagashima & Ohno		
			January 2000	Partner of Nagashima Ohno & Tsunematsu		
			January 2004	Managing Partner of Nagashima Ohno & Tsunematsu		
			January 2015	Chairman of Nagashima Ohno & Tsunematsu		
			January 2020	Senior Counsel of Nagashima Ohno & Tsunematsu (present position)		
			March 2022	Audit & Supervisory Board Member of the Company (present position)		
Audit & Supervisory Board Member	Yoko Dochi	October 3, 1964	April 1987	Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)	*4	–
			September 1996	Joined World Bank Group		
			May 2001	Joined Toyota Motor Europe NV/SA.		
			January 2015	General Manager, Global Treasury & Investor Relations, Toyota Motor Europe NV/SA.		
			March 2018	Principal Investor Relations Officer, Accounting Division, Toyota Motor Corporation		
			November 2018	Joined SoftBank Group Corp. Managing Director, Global Head of Investor Relations, SoftBank Group Corp.		
			February 2020	Managing Partner, SoftBank Group International Ltd.		
			March 2024	Audit & Supervisory Board Member of the Company (present position)		
Total						178,921

Notes:
1. Mr. Masakatsu Mori, Mr. Hiroyuki Yanagi, Ms. Noriko Shiono, Mr. Rod Eddington, Mr. George Olcott, Mr. Shinya Katanozaka, and Ms. Yoshiko Ando are Non-executive Directors.
2. Ms. Kaoru Kashima, Mr. Kenichi Fujinawa, and Ms. Yoko Dochi are Audit & Supervisory Board Members.
3. The terms of office of Directors of the Board and Audit & Supervisory Board Members are as follows:
   *1 From the close of the Ordinary General Meeting of Shareholders held on March 28, 2024 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2024
   *2 From the close of the Ordinary General Meeting of Shareholders held on March 30, 2022 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2025
   *3 From the close of the Ordinary General Meeting of Shareholders held on March 30, 2023 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2026
   *4 From the close of the Ordinary General Meeting of Shareholders held on March 28, 2024 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2027
4. The Company has nine (9) Executive Officers, in addition to the above Directors of the Board and Audit & Supervisory Board Members.

Senior Executive Officer	Brand Strategy, Marketing Strategy, Digital & IT Strategy, Senior Executive Vice President of Kirin Brewery Company, Limited (in charge of Marketing)	Mitsuharu Yamagata
Senior Executive Officer	General Manager of CSV Strategy Department of the Company, CSV Strategy, PR Strategy	Hiroshi Fujikawa
Senior Executive Officer	SCM Strategy, Production Technology Strategy	Akiyoshi Iwasaki
Senior Executive Officer	President of R&D Division of the Company, R&D Strategy	Akihito Yokoyama
Senior Executive Officer	General Manager of Quality Assurance Department of the Company, Chief Quality Assurance Officer	Kazufumi Nagashima
Senior Executive Officer	Business Alliance/Investment Strategies, Chief Risk Management Officer, Overseas Responsibilities including Overseas Craft Beer Strategy	Hideki Mitsuhashi
Senior Executive Officer	President & COO of Kirin Brewery Company, Limited	Hideki Horiguchi
Senior Executive Officer	President & COO of Kirin Beverage Company, Limited	Kazuhiro Inoue
Senior Executive Officer	President & COO of Kyowa Hakko Bio Company, Limited	Koji Fukada

2) Non-executive Directors and Audit & Supervisory Board Members

(i) Number of Non-executive Directors and Audit & Supervisory Board Members
The Company has seven (7) Non-executive Directors and three (3) Audit & Supervisory Board Members.

(ii) Policies regarding function and role from a corporate governance perspective, and election
The Non-executive Directors contribute to maintaining the corporate governance function and role of the Board—which makes decisions on the execution of important business matters and legal issues and supervises the performance of duties—at a strong and even higher level by expressing opinions from a more objective standpoint backed by extensive experience and deep insight in corporate management. Currently, seven (7) Non-executive Directors are elected, accounting for a majority of Directors of the Board, a number which we believe is sufficient to allow the Nomination and Remuneration Advisory Committee, an essential body in the Company's corporate governance system, in addition to the Board, to function effectively.
The Audit & Supervisory Board Members contribute to strengthening the function of Audit & Supervisory Board Members as employed by the Company as a corporate governance setup, through their experience as non-executive directors or audit & supervisory board members for several companies and their expertise in areas such as finance, accounting and law. Currently, three (3) Audit & Supervisory Board Members are elected, which added to the two (2) Standing Audit & Supervisory Board Members, makes for a total of five (5); this is considered a sufficient number to audit the performance of duties by the Directors of the Board.

(iii) Criteria regarding the independence of Non-executive Officers and their personal, capital, business or other relationships with the Company
The Company has established the criteria listed below in order to objectively determine the independence of Non-executive Directors and Audit & Supervisory Board Members ("Non-executive Officers"), with reference to the criteria for independence of independent officers stipulated by the Tokyo Stock Exchange, Inc.; given, however, that Non-executive Officers are appointed based not only on independence, but also on their respective knowledge, skills, insight, character, etc. and thus persons who meet the requirements for Non-executive Officers stipulated in the Companies Act and can provide advice and opinions as Non-executive Officers concerning the Company's decision-making may be hired as Non-executive Officers even if they fall into the criteria listed below.

(Criteria regarding the Independence of Non-executive Directors and Audit & Supervisory Board Members)

For Non-executive Directors and Audit & Supervisory Board Members of the Company to be considered as independent, none of the following criteria may apply to the respective Non-executive Director or Audit & Supervisory Board Member.

1) A person for whom the Company (including its consolidated subsidiaries; the same shall apply hereinafter) is a major client
2) A person who is an executive director, corporate officer, executive officer, manager or other employee of a firm for whom the Company is a major client
3) A person who is a major client of the Company
4) A person who is an executive director, corporate officer, executive officer, manager or other employee of a firm which is a major client of the Company
5) A lawyer, certified public accountant, tax accountant, or consultant, etc. who receives money or other economic benefit in excess of a certain amount from the Company aside from the officer's remuneration
6) A person who belongs to a firm, union, or other similar entity (including a law office, auditing firm, tax accountant firm, or consulting firm, etc.) which receives money or other economic benefit in excess of a certain amount from the Company
7) A person who is a major shareholder of the Company
8) A person who is an executive director or who executes business of a firm which is a major shareholder of the Company
9) A person who receives donations or other assistance in excess of a certain amount from the Company
10) A person who is a director of or otherwise executes duties for a firm, union or other similar entity which receives donations or other assistance in excess of a certain amount from the Company
11) A person who is an executive director, corporate officer, executive officer, manager or other employee of a firm for which an Executive Director or Standing Audit & Supervisory Board Member of the Company acts as non-executive director or non-standing audit & supervisory board member
12) A person to whom any of aforementioned criteria (1)–(11) has applied within the past 3 years
13) A person who is a spouse or other relation within the second degree of kinship to a person who is a senior executive or higher to whom any of aforementioned criteria (1)–(12) applies
14) A person who is a spouse or other relation within the second degree of kinship to a Director of the Board, Executive Officer, Manager or other important employee of the Company (including a person who was a Director of the Board, Executive Officer, Manager or other important employee of the Company within the past 3 years)

Notes:

1. Regarding criteria (1) and (2), "A person (or firm) for whom the Company is a major client" refers to a person (or firm) who received payment from the Company in the most recent business year which accounted for either 2% or more of consolidated sales (consolidated revenue) for the year for that person (or firm), or over ¥100 million, whichever is the higher amount. If consolidated accounting is not adopted by the person (or firm), total revenue or non-consolidated sales for the year should be employed in place of consolidated sales (consolidated revenue) for the year.
2. Regarding criteria (3) and (4), "A person (or firm) who is a major client of the Company" refers to a person (or firm) who made payment to the Company in the most recent business year which accounted for 2% or more of the Company's consolidated sales (consolidated revenue) for the year, or who finances 2% or more of the Company's consolidated total assets at the end of the most recent business year.
3. Regarding criteria (5), (9) and (10), "a certain amount" is considered as ¥10 million per year.
4. Regarding criteria (6), "a certain amount" is considered as either 2% or more of total revenue for the most recent business year for that firm, union or other similar entity, or over ¥100 million, whichever is the higher amount.
5. Regarding criteria (7) and (8), "a major shareholder" refers to a shareholder who directly or indirectly holds 10% or more of the voting rights.

(Personal, capital, business or other relationships with the Company)

In accordance with the above criteria, the Company has designated Non-executive Directors Mr. Masakatsu Mori, Mr. Hiroyuki Yanagi, Ms. Noriko Shiono, Mr. Rod Eddington, Mr. George Olcott, Mr. Shinya Katanozaka, and Ms. Yoshiko Ando, and Audit & Supervisory Board Members Ms. Kaoru Kashima, Mr. Kenichi Fujinawa, and Ms. Yoko Dochi as independent officers as required by the provisions of the Tokyo Stock Exchange, Inc., etc. prescribes. Personal, capital, business relationships or other special interests between Non-executive Officers and the Company are as follows:

- Non-executive Directors Mr. Masakatsu Mori, Mr. Hiroyuki Yanagi, Ms. Noriko Shiono, Mr. Rod Eddington, Mr. George Olcott, Mr. Shinya Katanozaka, and Ms. Yoshiko Ando have no personal, capital, business relationships or any other special interests with the Company. Accordingly, the Company believes that they have sufficient independence that there is no risk of conflicts of interest with general shareholders.
- Audit & Supervisory Board Members Ms. Kaoru Kashima, Mr. Kenichi Fujinawa, and Ms. Yoko Dochi have no personal, capital, business relationships or any other special interests with the Company. Accordingly, the Company believes that they have sufficient independence that there is no risk of conflicts of interest with general shareholders.

(iv) Mutual cooperation between supervision and audit by Non-executive Officers, audit by Auditor & Supervisory Board Members, internal audit and accounting audit, and relationship with internal control departments

Non-executive Directors provide opinions as necessary based on the information exchange and cooperation with the Audit & Supervisory Board upon receiving accounting audit and internal audit reports through the attendance at Board meetings and other activities. Thus, they fulfill supervisory functions on the performance of duties by Directors of the Board in coordination with these audits. They also strive to ensure appropriate performance of duties through providing opinions and advice as a member of the Board to effectively operate internal control departments.

Audit & Supervisory Board Members provide opinions as necessary upon receiving accounting audit and internal audit reports, directly or indirectly, through attendance at Audit & Supervisory Board meetings and Board meetings as well as reports from the Accounting Auditor and other activities. Thus, they enhance the effectiveness of the audit. Based on this, Audit & Supervisory Board Members conduct audits with high expertise for an audit report of the Audit & Supervisory Board. They also strive to ensure appropriate performance of duties through providing opinions on the reports of internal control departments at the Board meetings.

(3) AUDITS

1) Audits by Audit & Supervisory Board Members

(i) Organization, personnel, and procedures of audits by Audit & Supervisory Board Members

For details of the organization, personnel, and procedures of the Audit & Supervisory Board, refer to 1) Basic views on corporate governance and 2) Outline of the corporate governance system and reasons for adopting this system in (1) OVERVIEW OF CORPORATE GOVERNANCE and 1) List of Directors of the Board and Audit & Supervisory Board Members and 2) Non-executive Directors and Audit & Supervisory Board Members in (2) DIRECTORS OF THE BOARD AND AUDIT & SUPERVISORY BOARD MEMBERS.

The Audit & Supervisory Board elected Mr. Shobu Nishitani and Ms. Kaoru Kashima as the Audit & Supervisory Board Members who have substantial knowledge of finance and accounting. Mr. Shobu Nishitani has been engaged in finance and accounting in the Company and Group companies since joining the Company. He assumed the current position in 2022 after assuming the office of the Executive Officer and General Manager of Accounting Dept. of Kirin Company, Limited in 2017. Ms. Kaoru Kashima has been engaged in practice as a certified public accountant for number of years and is an expert with substantial knowledge and experience in finance and accounting. She assumed the current position in 2020.

(ii) Activities of the Audit & Supervisory Board and its members

The Company held a total of 19 meetings of the Audit & Supervisory Board during this fiscal year. Attendance of each Audit & Supervisory Board Member is as follows. In addition to the Audit & Supervisory Board, the Company also provides opportunities for information sharing and exchange of opinions among the Audit & Supervisory Board Members.

Category	Name	Attendance at Audit & Supervisory Board meetings
Standing Audit & Supervisory Board Member	Keiji Kuwata	5 out of 5 meetings (100%)
Standing Audit & Supervisory Board Member	Shobu Nishitani	19 out of 19 meetings (100%)
Standing Audit & Supervisory Board Member	Toru Ishikura	14 out of 14 meetings (100%)
Audit & Supervisory Board Member	Yoshiko Ando	19 out of 19 meetings (100%)
Audit & Supervisory Board Member	Kaoru Kashima	19 out of 19 meetings (100%)
Audit & Supervisory Board Member	Kenichi Fujinawa	19 out of 19 meetings (100%)

* The number of meetings in the table is different due to differences in the time of assuming office.

Specific topics discussed by the Audit & Supervisory Board include the audit policy; the legality of business reports and supporting schedules; the appropriateness of execution of duties by Directors of the Board; the appropriateness of maintenance and implementation of the internal control system; adequacy of methods and results of audits by the Accounting Auditor; evaluation of the Accounting Auditor; appropriateness of Accounting Auditor remuneration, and Key Audit Matters (KAM). At the end of the fiscal year, the Audit & Supervisory Board Members review the audit activities, discuss recommendations for the Company and priority audit items for the following fiscal year, and report the results to the Board of Directors.

The Audit & Supervisory Board Members conduct the following activities according to the audit policy and audit plans determined by the Audit & Supervisory Board: exchanging opinions with the Company’s Directors of the Board; attending important meetings including those of the Board and other committees; auditing the Company’s departments and conducting on-site audits of Group companies in and outside Japan; concurrently performing the role of Part-time Audit & Supervisory Board Members in Group companies; exchanging opinions with Audit & Supervisory Board Members of Group companies; and reviewing the implementation status of audits and results of audits reported by the Accounting Auditor. In this way, we have a system where the execution of duties by Directors of the Board is sufficiently audited. The Audit & Supervisory Board also holds information sharing meetings with Non-executive Directors to strengthen cooperation by exchanging opinions on the status of audits, audit topics, and internal control and risk-related concerns. The Audit & Supervisory Board Members holds regular information sharing meetings with the head of the internal audit department to receive reports on the status of the maintenance and implementation of the internal control system, audit plans, and audit results, and to exchange opinions with him.

To evaluate the effectiveness of the Audit & Supervisory Board, the Board holds discussions based on the results of a preliminary self-assessment questionnaire by each Audit & Supervisory Board Member and clarifies the issues to be addressed by the Audit & Supervisory Board before addressing them.

2) Internal audits

(i) Purpose of internal audits

The purpose of internal audits is “with regard to the Kirin Group’s management activities, to contribute to the achievement of the Group’s management strategy objectives by assessing the execution of management activities related to governance, risk management, and control, and providing assurance and consulting services from a fair and independent standpoint from the perspectives of legality and rationality.” The Company conducts audits of the Group’s material risks and internal controls under the philosophy of “audits that contribute to management.”

(ii) Organization, personnel, and procedures for internal audits

The Company has established the Internal Audit Department as an independent organization directly under the CEO. As of December 2023, the department consists of 24 employees. A considerable number of employees have expertise in internal audits, including those with qualifications such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), and Certified Fraud Examiner (CFE). The Internal Audit Department conducts an annual risk assessment and makes the annual audit plan, including audit policies and priority audit items, based on the recognition of the business environment to determine audit targets and themes, which are then approved by the Board of Directors.

(iii) Relationship with Audit & Supervisory Board Members, the Accounting Auditor, and internal audit departments of Group companies

The Internal Audit Department maintains cooperation with the Company's Audit & Supervisory Board Members, the Audit & Supervisory Board Members of key Group companies, and the Accounting Auditor by exchanging information and opinions and engaging in discussions as appropriate. The department holds monthly meetings with the Company's Audit & Supervisory Board Members and twice-a-year meetings with the Company's Non-standing Audit & Supervisory Board Members and Non-executive Directors to exchange opinions and discuss priority audit items. The department also regularly exchanges information and opinions with the Accounting Auditor.

The Company regularly exchanges information and opinions with the Standing Audit & Supervisory Board Members and internal audit departments of key Group companies and dispatches Part-time Audit & Supervisory Board Members to conduct practical and effective audits for the Group overall.

(iv) Initiatives to ensure the effectiveness of internal audits

In the three-line model, the Internal Audit Department, the third line of the Company, conducts matrix audits on the business and functional axes and J-SOX assessments, thereby confirming the status of control in the first and second lines, strengthening internal control, and promoting the establishment of the three lines.

Furthermore, based on the request of management, the Internal Audit Department conducts theme audits on cross-group management issues and makes recommendations for improvement. The Internal Audit Department receives responses to such recommendations from each department of each company to which the recommendations are made and follows up on a regular basis until improvement initiatives are completed.

The results of these auditing activities are reported at the Board of Directors meetings and other meetings.

The Internal Audit Department conducts annual internal evaluations to maintain and improve audit quality. In fiscal 2023, the Internal Audit Department conducted an external evaluation and was evaluated as "Generally Conforms" to the international standards of the Institute of Internal Auditors (IIA).

3) Accounting audits

(i) Name of the audit firm

KPMG AZSA LLC

(ii) Consecutive auditing period

49 years

The Company found that it was unfeasible to identify the accurate period. The period stated above is based on the establishment of Shinwa Audit Corporation, one of the predecessors of the present Accounting Auditor, KPMG AZSA LLC. The actual consecutive auditing period might be longer than the one stated above.

(iii) Certified public accountants who executed audit duties

Mr. Isao Kamizuka, Mr. Masahiro Sasaki, and Mr. Yoshihiro Fujioka

(iv) Composition of assistants who supported audit duties

Certified public accountants: 25; Others: 65

(v) Reasons for the election of the auditing certified public accountants

The Audit & Supervisory Board sets the policy on the appointment and dismissal of the Accounting Auditor. According to the policy, the Audit & Supervisory Board and its members have thoroughly examined the certified public accountants for their auditing systems such as the implementation system and quality control system, and determined that they are qualified for the position.

(vi) Evaluation of the Accounting Auditor by the Audit & Supervisory Board and its members

The Audit & Supervisory Board and its members continuously assess the Accounting Auditor through regular meetings and other cooperation with them. The Audit & Supervisory Board made discussions based on the policy on the appointment and dismissal of the Accounting Auditor after receiving its year-end accounting audit report, and resolved the reappointment of the Accounting Auditor because it was highly rated by the assessment.

4) Audit remuneration

(i) Remuneration of the Accounting Auditor

Category	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
	Remuneration for audit and attestation service (¥ millions)	Remuneration for non-audit services (¥ millions)	Remuneration for audit and attestation service (¥ millions)	Remuneration for non-audit services (¥ millions)
The Company	211	16	211	21
Consolidated subsidiaries	344	4	357	4
Total	555	19	568	25

Fiscal year ended December 31, 2022:

The non-audit services for the Company and consolidated subsidiaries mainly consisted of support services for the Internal Control Reporting System (J-SOX).

Fiscal year ended December 31, 2023:

The non-audit services for the Company and consolidated subsidiaries mainly consisted of support services for the Internal Control Reporting System (J-SOX).

(ii) Remuneration of the network firms to which the Accounting Auditor belongs

Category	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
	Remuneration for audit and attestation service (¥ millions)	Remuneration for non-audit services (¥ millions)	Remuneration for audit and attestation service (¥ millions)	Remuneration for non-audit services (¥ millions)
The Company	14	33	–	28
Consolidated subsidiaries	510	113	710	78
Total	524	145	710	106

Fiscal year ended December 31, 2022:

Remuneration for non-audit services for the Company is mainly attributed to advisory and support services for initiatives to address environmental issues.

Remuneration for non-audit services for the consolidated subsidiaries is mainly attributed to advisory services for corporate governance and risk management.

Fiscal year ended December 31, 2023:

Remuneration for non-audit services for the Company and its consolidated subsidiaries is mainly attributed to tax-related services and advisory and support services for initiatives to address environmental issues.

(iii) Policy for determining audit remuneration

The Company appropriately determines audit remuneration with the consent of the Audit & Supervisory Board after considering the number of days to complete audits and other factors while taking mainly into account the Company’s size and the nature of the audit procedures.

(iv) Reasons for the Audit & Supervisory Board’s consent to audit remuneration

The Audit & Supervisory Board reviewed the Accounting Auditor’s audit plans, execution status of duties of accounting audits, and the calculation basis for remuneration estimates. As a result, it consented to remuneration, etc. for the Accounting Auditor in accordance with Article 399, Paragraph 1 of the Companies Act.

(4) OFFICERS' REMUNERATION, ETC.

1) Policy for determining officers' remuneration, etc.

The Company's policy for determining officers' remuneration, etc. is determined by the Board after deliberation of its validity by the Nomination and Remuneration Advisory Committee, of which independent Non-executive Directors constitute a majority. As part of this process, the Nomination and Remuneration Advisory Committee considers changes in the management environment each fiscal year, shareholder/investor requests, and objective and professional opinions of external remuneration consulting firms are referred to when appropriate. An outline of the Company's policy for officers' remuneration, etc. is as follows.

(i) Basic policy on officers' remuneration, etc.

(a) The Company shall establish a remuneration structure that emphasizes the linkage of remuneration with business performance and medium- to long-term corporate value and share value with the shareholders.

(b) Remuneration levels shall be appropriate for the roles and responsibilities of the Kirin Group's officers.

(c) Remuneration shall be deliberated by the Nomination and Remuneration Advisory Committee, of which independent Non-executive Directors shall constitute the majority, in order to ensure objectivity and transparency.

(ii) Remuneration structure and recipients, etc.

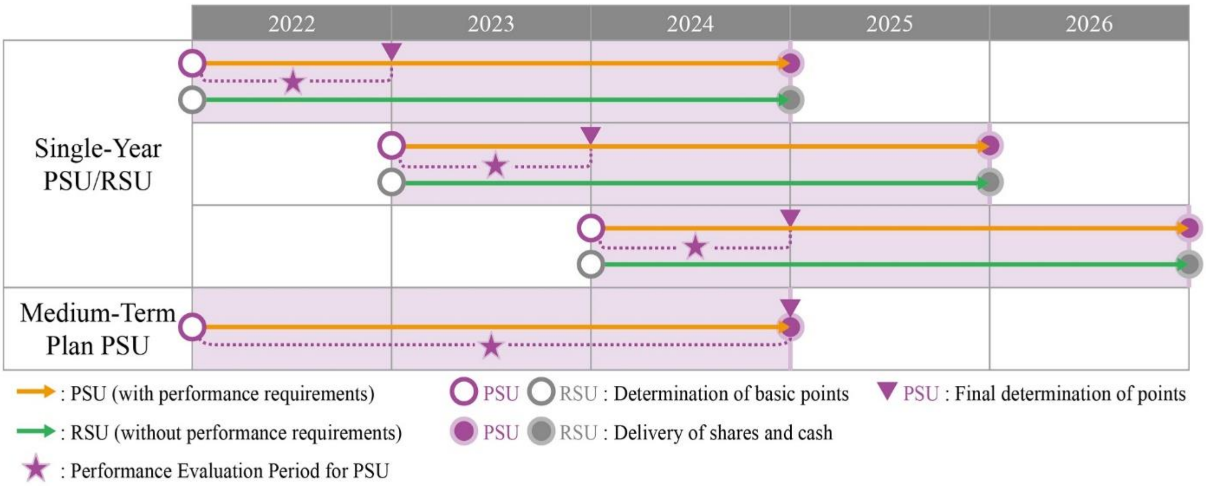
Remuneration for the Company's officers is composed of three parts: basic remuneration which is fixed remuneration; bonus as a short-term incentive which is performance-linked remuneration; and stock-based remuneration as a medium- to long-term incentive. The Non-executive Directors are responsible for monitoring and advising management of the Company and the Kirin Group as a whole from an objective point of view, and Audit & Supervisory Board Members are responsible for auditing the execution of duties by the Directors of the Board from an objective point of view. Accordingly, only basic remuneration shall be paid to the respective parties.

Type of remuneration, etc.		Outline	Evaluation indicators and reasons for adopting the indicators
Fixed remuneration	Basic remuneration	• Fixed remuneration based on the executive rank and responsibilities • Additional allowance is provided according to the responsibilities. • Annual sum is divided equally by 12 and paid each month.	–
Performance-linked remuneration	[Short-term incentive] Bonus	• Performance-linked remuneration for motivation to achieve annual performance targets and engage in initiatives for future growth • Assuming the amount to be paid upon achievement of a target (base amount) predetermined for each executive rank and responsibility is set at 100%, this remuneration is variable between 0% and 200% depending on the level of achievement of the performance target. • Lump-sum payment after the end of each fiscal year.	The following evaluation indicators are selected to promote stable profit growth and implementation of strategies for the entire Group and for core businesses. The following indicators are selected for this fiscal year. • Corporate performance evaluation indicators (consolidated normalized operating profit) • Business performance evaluation indicators (normalized operating profit, etc.)*2 • Individual performance evaluation indicators
	[Medium- to long-term incentive] Trust-type stock compensation (for residents in Japan) *1	• Performance-linked remuneration for motivation to improve corporate value over the medium- to long-term • The trust-type stock compensation consists of the Performance Share Unit ("Single-Year PSU"), which is linked to the degree of achievement of performance in a single fiscal year, the Performance Share Unit ("Medium-Term Plan PSU"), which is linked to the degree of achievement of the Medium-Term Business Plan's goals, and the Restricted Share Unit ("RSU"), which has no performance conditions attached. • The Single-Year PSU and RSU are paid in a lump sum at a certain time after the end of each fiscal year. The Medium-Term Plan PSU is paid in a lump sum of shares and money at a ratio of 50:50 according to the points granted in the fiscal year following the Medium-Term Plan period (three fiscal years).	• Evaluation indicators to promote improvement of shareholder value over the medium- to long-term, and to create social value are selected from the consolidated financial and non-financial indicators for the Kirin Group set out in the Medium-Term Business Plan.

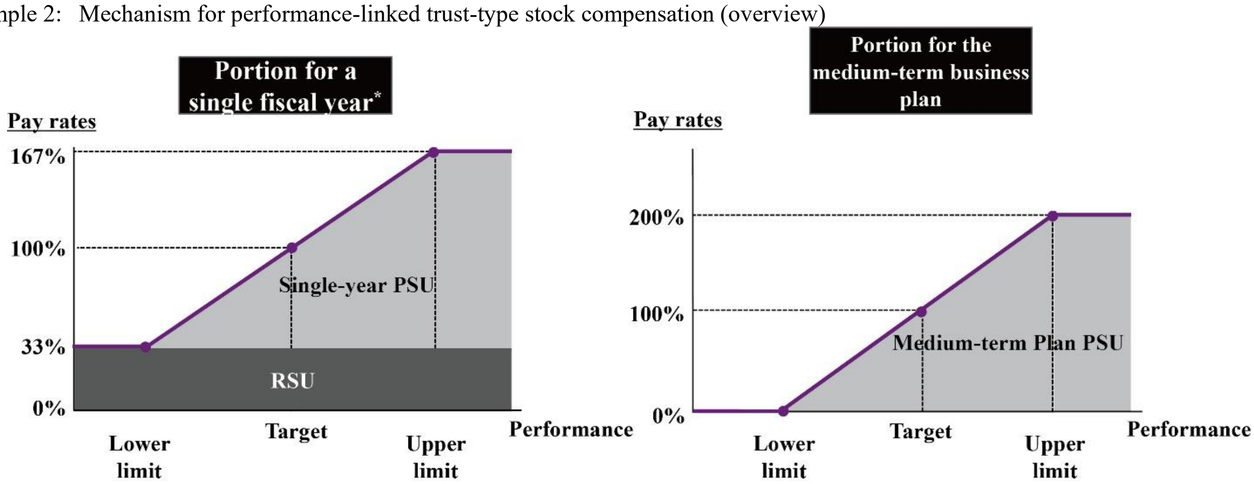
*1 Non-residents of Japan will be granted cash payment equivalent to the amount of the Company's shares (including the Company's shares to be converted into cash under the trust-type stock compensation plan) calculated based on the same formula as for the trust-type stock compensation plan. At the moment, no officers are scheduled to receive the cash.

*2 Only applies to operating companies and the officer in charge of Health Science Strategy (President of the Health Science Division).

Sample 1: Performance evaluation period, timing of determination of the number of points, and timing of delivery of shares and cash under the trust-type stock-based remuneration



Sample 2: Mechanism for performance-linked trust-type stock compensation (overview)



* Where the sum of the base amounts for the Single-Year PSU and the RSU is 100%. Pay rates in terms of the Single-Year PSU are only variable between 0% and 200%.

(iii) Remuneration levels and the ratio of performance-linked remuneration

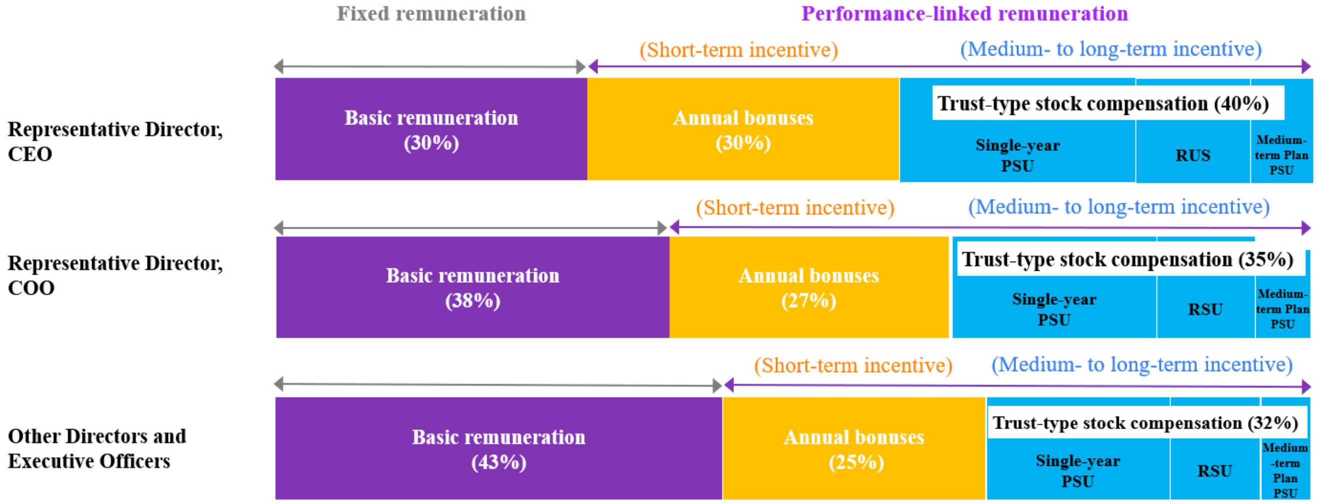
Objective verification is conducted by comparing the Company's officer remuneration levels and linkage to performance, using relevant survey data obtained from an external research organization. The remuneration levels for the Company's officers and the ratio of performance-linked remuneration (bonus and trust-type stock compensation) are designed and set based on the executive rank and responsibilities, among other things, of each person.

- Remuneration levels

  The comparative analysis shall cover Japan's leading global manufacturing companies, and remuneration shall be set at a competitive level so that basic remuneration is at or near the median, and remuneration upon achievement of performance targets is at or above median levels. The basic remuneration for Non-executive Directors shall be at or above the median level among comparable companies in consideration of their roles expected to strengthen the Company's governance.
- Ratio of performance-linked remuneration

  The ratio of performance-linked remuneration shall be set higher than the one of fixed remuneration in consideration of the remuneration level of domestic leading companies, and the ratio of stock-based remuneration in particular shall be increased to strengthen incentives to achieve performance targets and its linkage to shareholder value. Specifically, as indicated in Sample 3, the ratio of basic remuneration to the performance-linked remuneration base amount for the Representative Director of the Board & CEO shall be set at approximately 30:70 (the ratio of bonuses to stock-based remuneration is 30:40). The ratios for other Directors of the Board (excluding Non-executive Directors) and Executive Officers shall be determined in a similar manner to above in consideration of their executive rank and responsibilities. The composition ratio of the Single-Year PSU, to the RSU, and to the Medium-Term Plan PSU (per year) in the trust-type stock compensation base amount shall be common to all intended beneficiaries (approximately 4:2:1).

Sample 3: Structure of officers' remuneration



(iv) Evaluation indicators and targets for performance-linked remuneration

- Corporate performance evaluation indicators and business performance evaluation indicators for bonuses as well as evaluation indicators for trust-type stock compensation

  These evaluation indicators and targets shall be determined based on the details of the Medium-Term Business Plan, and performance forecasts set at the beginning of the fiscal year, among other things. The range (upper and lower limits) of financial indicators among the evaluation indicators shall be determined based on past achievement, targets, etc.
- Individual performance evaluation indicators for bonuses

  For the Representative Director of the Board & CEO, the Nomination and Remuneration Advisory Committee determines specific evaluation indicators and targets through an interview with a Non-executive Officer (including the Chairperson) of the Committee. For the President & COO, the Committee determines them through an interview with the Representative Director of the Board & CEO as well as a Non-executive Officer (including the Chairperson) of the Committee. For other Directors of the Board (excluding Non-executive Directors) and Executive Officers, the Committee determines them after deliberating draft proposals prepared by the President & COO with approval of the Representative Director of the Board & CEO. The Representative Director of the Board, who is not the CEO, shall be treated in the same manner as the Representative Director of the Board & CEO.

(v) Method for determining officers' remuneration, etc.

In order to ensure fair and reasonable operation of the plan in accordance with the basic policy described in (i)–(iv) above, remuneration, etc. for officers is deliberated on by the Nomination and Remuneration Advisory Committee, of which independent Non-executive Directors constitute a majority and an independent Non-executive Director is the chair. The Nomination and Remuneration Advisory Committee reports to the Board, and within the limit of remuneration previously resolved at a general meeting of shareholders, remuneration for Directors of the Board is determined by the Board of Directors, and remuneration for Audit & Supervisory Board Members is determined in consultation with Audit & Supervisory Board Members.

Provided, however, that determination of individual performance evaluations for bonuses and the related individual payment ratio for each officer is delegated to the Nomination and Remuneration Advisory Committee in order to ensure objectivity and transparency. In determining the above matters, the following evaluation methods are conducted. (i) For the Representative Director of the Board & CEO and the President and COO, a Non-executive Director, who is the Chairperson or member (excluding interested persons) of the Nomination and Remuneration Advisory Committee, holds an interview and prepares draft proposals by consensus. In this case, the evaluation by the Representative Director of the Board & CEO shall be used as a reference for the evaluation for the President & COO. The Representative Director of the Board, who is not the CEO, shall be treated in the same manner as the Representative Director of the Board & CEO. (ii) For other Directors of the Board (excluding Non-executive Directors) and Executive Officers, the President & COO holds an interview with each of them and prepares draft proposals of individual performance evaluations and related individual pay rates with the approval of the Representative Director of the Board & CEO.

The Nomination and Remuneration Advisory Committee then determines the outcomes of each individual performance evaluation and sets an appropriate individual pay rate for the individual performance evaluation, which are then reported to the Board in a timely and appropriate manner.

The composition and authority of the Nomination and Remuneration Advisory Committee are as follows:

(a) Composition of the Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee consists of five (5) members. (Three (3) Non-executive Directors and two (2) Directors)

- Chairperson: Noriko Shiono (Non-executive Director)
- Member: Shinya Katanozaka (Non-executive Director)
- Member: Yoshiko Ando (Non-executive Director)
- Member: Yoshinori Isozaki (Representative Director of the Board & CEO)
- Member: Takeshi Minakata (Representative Director of the Board, President & COO)

(b) Matters deliberated and determined by the Nomination and Remuneration Advisory Committee

Matters deliberated and determined by the Nomination and Remuneration Advisory Committee for officers' remuneration, etc. are as follows:

Matters deliberated:

<1> System and levels of remuneration for Directors of the Board, the policy for determining individual remuneration, and the amount or number of individual remuneration, etc.

<2> System and levels of remuneration for Audit & Supervisory Board Members

<3> System and levels of remuneration for Executive Officers, the policy for determining individual remuneration, and the amount or number of individual remuneration, etc.

<4> System and levels of remuneration for the Presidents of key Group companies in Japan and abroad

Matters determined:

<5> Individual performance evaluations for bonuses and the individual pay rate regarding the evaluations for Directors of the Board (excluding Non-executive Directors) and Executive Officers

The Nomination and Remuneration Advisory Committee holds meetings regularly mainly for deliberations of the matters described above. It also holds meetings as necessary when changes occur in the environment such as those for laws and regulations for officers' remuneration. When necessary, outside advisors may attend the Committee's meetings.

(vi) Terms for forfeiture and return of stock-based compensation (Malus and Clawback clause)

In the event that the Board of Directors recognizes that a Director (excluding Non-executive Directors) or an Executive Officer has committed a misconduct, resigned for his/her own reasons, or that there are other reasons why it is reasonable not to allow him/her to acquire all or part of the beneficiary rights or entitlements, the Company may demand that the Director (excluding Non-executive Director) or an Executive Officer forfeits his/her entitlement to compensation under the stock compensation plan or return the money equivalent to the Company shares delivered to him/her.

(vii) Other important matters

Notwithstanding (i) through (v) above, in the event of unexpected, extraordinary factors or events (including, but not limited to, natural disasters, sharp fluctuations in foreign exchange rates, misconducts, and organizational restructuring), the Board may, at their discretion, resolve to determine remuneration, etc. for Directors of the Board (excluding Non-executive Directors) and Executive Officers that may differ from that set forth above, after extraordinary deliberations by the Nomination and Remuneration Advisory Committee as necessary.

2) Remuneration, etc. for FY2024

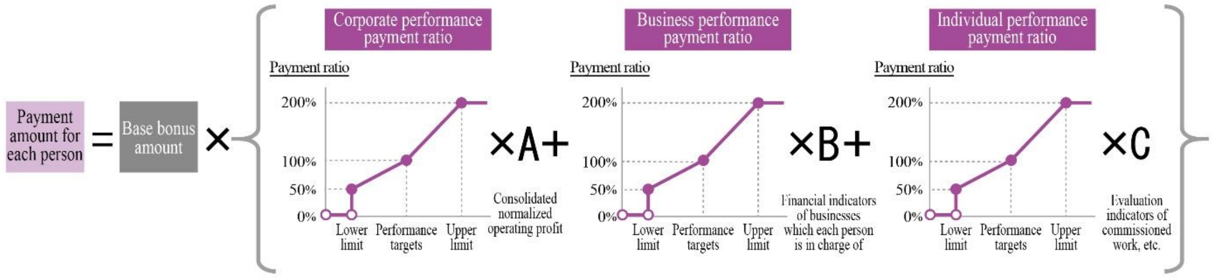
According to the policy described in 1) above, the performance evaluation indicators, calculation methods, etc. for performance-linked remuneration for FY2024 were determined as below. When evaluating the degree of achievement of performance indicators for trust-type stock compensation, the impact of exchange fluctuations, etc. for each fiscal year is excluded from calculating items in the financial statements of overseas subsidiaries, etc.

(i) Bonuses

As described in 1) (ii) above, corporate performance evaluation indicators (consolidated normalized operating profit) and individual performance evaluation indicators are selected for the purpose of promoting stable profit growth and implementation of strategies for the entire Group and for core businesses. Evaluation ratios are then determined according to responsibilities. If a Director or an Executive Officer concurrently serves as operating company president or officer in charge of Health Science Strategy, relevant business performance evaluation indicators (normalized operating profit, etc.) are additionally taken into consideration. Evaluation ratios, fluctuation range of pay rates, and performance targets for FY2024 are as follows:

Performance evaluation indicators	Evaluation ratio				Fluctuation range of pay rates	Performance targets	
	Representative Director of the Board & CEO	Representative Director of the Board, President & COO	Directors and Executive Officers concurrently serving as operating company president, etc.	Other Directors of the Board, etc. and Executive Officers			
Corporate performance evaluation (A) (consolidated normalized operating profit)	70%	70%	20%	50%	0%–200%	Upper limit	¥242.4 billion
						Base	¥202.0 billion
						Lower limit	¥161.6 billion
Business performance evaluation (B) (revenue from Health Science Domain)	–	–	40%	–	0%–200%	Upper limit	¥161.5 billion
						Base	¥146.8 billion
						Lower limit	¥132.1 billion
Business performance evaluation (B) (normalized operating profit from Health Science Domain)						Upper limit	¥0 billion
						Base	(¥2.6 billion)
						Lower limit	(¥3.9 billion)
Individual performance evaluation (C)	30%	30%	40%	50%	0%–200%	Performance targets are determined according to 1) (iv) above.	

Sample 4: Mechanism for linkage of bonuses to performance



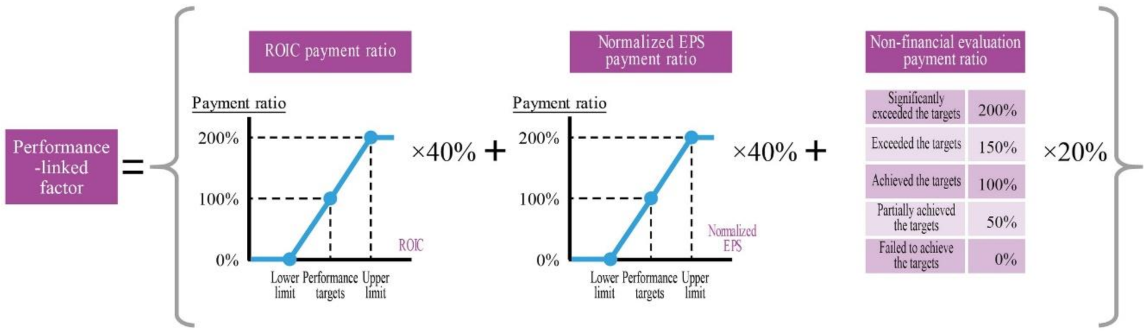
(ii) Trust-type stock compensation (Single-Year PSU and Medium-Term Plan PSU)

As described in 1) (ii) above, the following three evaluation indicators are selected from evaluation indicators in the Medium-Term Business Plan: ROIC, Normalized EPS (the amount for the Single-Year PSU and CAGR within the period of the Medium-Term Business Plan for the Medium-Term Plan PSU), and non-financial evaluation, for the purposes of promoting improvement of shareholder value over the medium- to long-term and creating social value. The performance-linked factor is then calculated depending on the degree of achievement of targets.

Non-financial evaluation is decided based on a quantitative evaluation of the degree of achievement of specific indicators defined for each of three respective items: “the Environment,” “Health and Well-being,” and “Employees,” which are the key items defined to make a commitment to the medium- to long-term CSV management. After the evaluation of each item by adding qualitative aspects of each indicator and the overall items, non-financial evaluation is decided by a comprehensive evaluation taking into consideration the evaluation results and qualitative aspects. The results of non-financial evaluation and the pay rate are deliberated on by the Nomination and Remuneration Advisory Committee and determined by the Board in light of the evaluation at the Group Executive Committee in order to ensure objectivity and transparency.

Performance evaluation indicators	Evaluation ratio	Fluctuation range of pay rates	Performance targets		
				Single-Year PSU	Medium-Term Plan PSU
ROIC	40%	0%–200%	Upper limit	12.3%	14.8%
			Base	8.0%	10.0%
			Lower limit	3.7%	5.2%
Normalized EPS (CAGR within the period of the Medium-Term Business Plan for the Medium-Term Plan PSU)	40%	0%–200%	Upper limit	¥204	18%
			Base	¥177	11%
			Lower limit	¥150	4%
Non-financial evaluation	20%	0%–200%	Performance targets are determined according to 1) (iv) above, taking into consideration specific indicators and qualitative aspects in the three items: “the Environment,” “Health and Well-being,” and “Employees.”		

Sample 5: Calculation formula for PSU performance-linked factor under the trust-type stock compensation (excluding the performance evaluation period; the scheme is common to the Single-Year PSU and Medium-Term Business Plan PSU)



* The non-financial evaluation pay rates in the above table are for reference only and may differ from those shown above (but will be kept within the range of 0%–200%) after deliberations by the Nomination and Remuneration Advisory Committee.

3) Remuneration, etc. for this fiscal year (FY2023)

(i) Activities carried out by the Nomination and Remuneration Advisory Committee and the Board

The Nomination and Remuneration Advisory Committee held a total of 13 meetings during this fiscal year. The Committee deliberated on the operation of the current officers' remuneration system to align with the Medium-Term Business Plan (non-financial evaluation method, etc.). The Committee also deliberated on the appropriateness of the system (verification of compensation levels and performance-linked ratios, etc.). Remuneration consultants outside the Company attended 4 out of the 13 meetings, and provided advice and information from an objective and independent standpoint. The Committee regularly reported its deliberations and provided recommendations to the Board. Major matters of officers' remuneration discussed at meetings of the Nomination and Remuneration Advisory Committee and the Board held during this fiscal year are as follows:

(a) Officers' remuneration for FY2022
  1 Decisions about the amount of bonuses paid based on the FY2022 performance and points granted for trust-type stock compensation

(b) Officers' remuneration for this fiscal year (FY2023)
  1 Setting of the base, lower limit, and upper limit of the performance evaluation indicators of the performance-linked remuneration for this fiscal year
  2 Review of the evaluation process for non-financial evaluations

(c) Officers' remuneration for FY2024
  1 Study of the latest global and domestic environment for officers' remuneration
  2 Consideration of to-be remuneration levels and the to-be ratio of performance-linked remuneration toward achieving the Medium-Term Business Plan, and verification of the appropriateness of such levels and ratio (through objective survey data of officers' remuneration provided by remuneration consultants outside the Company)

The following sections of (ii) to (iv) describe the total amount of remuneration, etc. by officer type, the total amount of remuneration, etc. by officer, the targets and actual results of performance-linked remuneration, and additional information for this fiscal year.

In determining the details of individual remuneration, etc. for Directors of the Board, in accordance with the policy for Officers' remuneration, etc., the Nomination and Remuneration Advisory Committee deliberates and considers with a diversified viewpoint the method for calculating remuneration, etc. for Directors of the Board and the calculation of the payment amount based on this, among others. The Committee then reports the draft to the Board of Directors, and the Board of Directors respects the deliberation process and reports. Accordingly, the Company considers that details of remuneration, etc. for each Director of the Board are consistent with the policy for officers' remuneration, etc.

(ii) Total amount of remuneration, etc. by officer type, total amount of remuneration, etc. by type, and number of officers

<table>
<tr><th rowspan="5" colspan="2">Officer type</th><th rowspan="5">Total amount of remuneration, etc. (¥ millions)</th><th colspan="8">Total amount (¥ millions) of remuneration, etc. by type and number of persons</th></tr>
<tr><th colspan="2">Fixed remuneration</th><th colspan="6">Performance-linked remuneration</th></tr>
<tr><th colspan="6">Monetary remuneration</th><th colspan="2">Non-monetary remuneration</th></tr>
<tr><th colspan="2">Basic remuneration</th><th colspan="2">Bonus</th><th colspan="2">Performance-linked and stock-price-linked remuneration (Phantom Stock Plan)</th><th colspan="2">Trust-type stock compensation</th></tr>
<tr><th>Total amount</th><th>Number of persons</th><th>Total amount</th><th>Number of persons</th><th>Total amount</th><th>Number of persons</th><th>Total amount</th><th>Number of persons</th></tr>
<tr><td colspan="2">Directors of the Board (excluding Non-executive Directors)</td><td>809</td><td>281</td><td>6</td><td>321</td><td>5</td><td>–</td><td>–</td><td>207</td><td>6</td></tr>
<tr><td colspan="2">Audit & Supervisory Board Members (excluding Non-standing Audit & Supervisory Board Members)</td><td>76</td><td>76</td><td>3</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td rowspan="2">Non-executive Officers</td><td>Non-executive Directors</td><td>142</td><td>142</td><td>8</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Non-standing Audit & Supervisory Board Members</td><td>58</td><td>58</td><td>3</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td colspan="2">Total</td><td>1,084</td><td>556</td><td>20</td><td>321</td><td>5</td><td>–</td><td>–</td><td>207</td><td>6</td></tr>
</table>

Notes:
1. Twelve (12) Directors of the Board and five (5) Audit & Supervisory Board Members remain in their positions as of the end of this fiscal year, but the amounts above include remuneration for two (2) Directors and one (1) Audit & Supervisory Board Member who retired as of March 30, 2023.
2. The above total amount of bonus is the amount expected to be paid. For actual performance evaluation indicators and others, please refer to (iv) below.
3. There were no officers to whom the above performance-linked and stock-price-linked remuneration (Phantom Stock Plan) was applicable.
4. Trust-type stock compensation was delivered to Directors of the Board (excluding Non-executive Directors) as non-monetary remuneration. The above total amount of trust-type stock compensation is the amount recorded as expenses during this fiscal year for the Board Incentive Plan (BIP) Trust.
5. Amounts are rounded to the nearest ¥1 million.

(iii) Total amount of remuneration, etc. by officer

<table>
<tr><th rowspan="4">Name</th><th rowspan="4">Officer type</th><th rowspan="4">Total amount of remuneration, etc. (¥ millions)</th><th colspan="3">Amount of remuneration, etc. by type (¥ millions)</th></tr>
<tr><th>Fixed remuneration</th><th colspan="2">Performance-linked remuneration</th></tr>
<tr><th colspan="2">Monetary remuneration</th><th>Non-monetary remuneration</th></tr>
<tr><th>Basic remuneration</th><th>Bonus</th><th>Trust-type stock-based remuneration</th></tr>
<tr><td>Yoshinori Isozaki</td><td>President & COO</td><td>338</td><td>103</td><td>137</td><td>98</td></tr>
<tr><td>Keisuke Nishimura</td><td>Representative Director, Senior Executive Vice President</td><td>172</td><td>62</td><td>67</td><td>43</td></tr>
<tr><td>Toshiya Miyoshi</td><td>Director of the Board</td><td>111</td><td>43</td><td>42</td><td>25</td></tr>
</table>

Notes:
1. Only those persons whose total amount of remuneration, etc. exceeds ¥100 million are disclosed.
2. The above total amount of trust-type stock compensation is the amount recorded as expenses during this fiscal year for the Board Incentive Plan (BIP) Trust.
3. Amounts are rounded to the nearest ¥1 million.

(iv) Targets, etc. and actual results regarding evaluation indicators for performance-linked remuneration

The targets, etc. and actual results regarding evaluation indicators for performance-linked remuneration for this fiscal year, determined by a way of resolution by the Board following deliberation by the Nomination and Remuneration Advisory Committee, are as follows:

(a) Bonuses

<table>
<tr><th>Performance evaluation indicators</th><th>Evaluation ratio</th><th>Fluctuation range of pay rates</th><th colspan="2">Performance targets</th><th>Actual results</th><th>Pay rate for each indicator</th><th>Final pay rate</th></tr>
<tr><td rowspan="3">Corporate performance evaluation (Consolidated normalized operating profit)</td><td rowspan="3">20%–70%</td><td rowspan="3">0%–200%</td><td>Upper limit</td><td>¥230.4 billion</td><td rowspan="3">¥201.5 billion</td><td rowspan="3">124.7%</td><td rowspan="7">132.3%–184.9%</td></tr>
<tr><td>Base</td><td>¥192.0 billion</td></tr>
<tr><td>Lower limit</td><td>¥153.6 billion</td></tr>
<tr><td rowspan="3">Business performance evaluation (Revenue in Health Science domain)</td><td rowspan="3">40%</td><td rowspan="3">0%–200%</td><td>Upper limit</td><td>¥132.0 billion</td><td rowspan="3">¥145.6 billion</td><td rowspan="3">200%</td></tr>
<tr><td>Base</td><td>¥120.0 billion</td></tr>
<tr><td>Lower limit</td><td>¥108.0 billion</td></tr>
<tr><td>Individual performance evaluation</td><td>30%–50%</td><td>0%–200%</td><td colspan="3">Decided based on evaluation indicators of commissioned work, etc. for each person.</td><td>150%–200%</td></tr>
</table>

Note: Individual performance evaluation was determined by the method described in 1) (v) above.

(b) Trust-type stock compensation (Single-Year PSU with the current fiscal year as the performance evaluation period)

Performance evaluation indicator	Evaluation ratio	Fluctuation range of pay rates	Performance targets		Actual results	Pay rate for each indicator	Final pay rate
ROIC	40%	0%–200%	Upper limit	12.8%	7.6%	79.0%	100.6%
			Base	8.5%			
			Lower limit	4.2%			
Normalized EPS	40%	0%–200%	Upper limit	¥197	¥164	72.7%	
			Base	¥171			
			Lower limit	¥145			
Non-financial indicator	20%	0%–200%	The following evaluations were made for each indicator in three categories: Environment, Health, and Employees		SS	200.0%	

Note: When evaluating the degree of achievement of financial indicators, the impact of exchange fluctuations, etc. for each fiscal year is excluded from calculating items in the financial statements of overseas subsidiaries, etc.

[Non-financial Evaluation]

Category	Evaluation	Background of evaluation for each category	Overall evaluation
Environment	Smoothly progressing	Among the key indicators below, the Company has already exceeded the 2024 target for reducing GHG emissions and has received high external recognition for the initiatives and information disclosure on climate change and water security. For other indicators, the Company evaluated that the category is smoothly progressing toward achieving its 2024 target, although some targets were not achieved. • GHG emission reduction rate: 31%* • Recycled resin usage rate for PET bottle resin: 28% • Basic unit of water usage at manufacturing sites with high water stress: 3.4 kl/kl	Taking into account the evaluation of each item on the left and the achievement status of CSV commitment and internal control indicators by function, as well as the results of the highest level of awards in SDGs management, the overall rating is set at “SS” and the payout rate is set at 200%.
Health	Generally progressing	While the following achievements were the main factors evaluated, the Company also evaluated the category as generally progressing, including the achievement of high external recognition of its products and R&D in the Health & Well-being domain. • Further acceleration of efforts to “support for the maintenance of immune function” is required, as the deviation from the quantitative 2024 target has occurred. • “New value creation in immunology, brain function, and intestinal environment areas” is making good progress as the Company planned. • “The promotion of collaboration with the Pharmaceuticals domain” is generally progressing as planned.	
Employees	Generally progressing	Among the key indicators below, the frequency rate of accidents requiring time off from work needs to be improved toward achieving the 2024 target. However, all the indicators for diversity improvement are smoothly progressing. Also considering the high external recognition received for the promotion of women’s activities and health management initiatives, the Company evaluated the category as generally progressing. • Employee engagement score: 70 • Progress in achieving “Increased diversity” (ratio of female managers in Japan: 14%, ratio of employing experienced persons in Japan: 45%) • Frequency rate of accidents that require time off from work: 1.36*	

* In the non-financial evaluation of the current fiscal year, the indicators for which the actual results have not been determined are evaluated based on the outlook at the time of evaluation.

4) Provisions resolved by a general meeting of shareholders

The remuneration limit and other matters regarding Directors of the Board and Audit & Supervisory Board Members, etc. for a fiscal year are as follows.

	Type of remuneration	Remuneration limit (¥ millions)/maximum number of granted shares	Date of resolution by a general meeting of shareholders	Number of persons on the date of resolution
Directors of the Board	Basic remuneration and bonus	1,520*1 (incl. 210, for Non-executive Directors)	March 30, 2022	12 (including 7 Non-executive Directors)
Directors of the Board (excluding Non-executive Directors)	Stock-based remuneration	1,450/1,000,000 shares*2		5 Directors of the Board*3
Audit & Supervisory Board Members	Basic remuneration	200		5 (including 3 Non-standing Audit & Supervisory Board Members)

*1 Amounts to be expensed in connection with the payment of performance-linked remuneration to Directors of the Board (excluding Non-executive Directors) and Executive Officers, who are non-residents in Japan, are included.

*2 Regarding the Trust-type stock compensation plan for Directors of the Board (excluding Non-executive Directors) and Executive Officers, who are residents in Japan, the upper limit of the amount of money to be contributed by the Company and the number of shares of the Company to be delivered per business year.

*3 The stock-based remuneration plan, which was resolved at the General Meeting of Shareholders, covers not only Directors of the Board but also Executive Officers, and the number of such Executive Officer as of the date of the resolution is nine.

(5) SHAREHOLDINGS

1) Standard and policy on classification of investment shares

The Group classifies investment shares held solely for the purpose of benefitting from the change in stock price or dividends on shares as investment shares for pure investment, and other investment shares as investment shares held for purposes other than pure investment.

2) Investment shares held for purposes other than pure investment

Kirin Brewery Company, Limited has the largest balance sheet amount of investment shares among the Company and its consolidated subsidiaries (the largest volume holder). The detail of its investment shares is as follows:

(i) Policy on shareholding

The Kirin Group's Corporate Governance Policy stipulates:

- As a general rule, the Kirin Group will not engage in cross-shareholding; provided, however, that it can hold a necessary minimum number of issues that are deemed to help boost the corporate value over the medium to long term.
- The Board verifies the reasonableness of the individual cross-shareholdings engaged by the Kirin Group on a yearly basis while discussing and negotiating with the cross-shareholding partner, etc. As a result of the verification, the Kirin Group will move to sell issues that it deems to be unreasonable to hold from the perspective of common interests of shareholders.

(ii) Method to verify the reasonableness of shareholding and the details of verification at the Board, etc. regarding the propriety of holding individual issues

Each cross-shareholding is examined carefully to check whether the purpose of shareholding is appropriate, or whether benefit or risk associating the shareholding is commensurate with capital cost. The Company also comprehensively judges whether it will contribute to increasing corporate brand value, and then the Board will verify if they should continue the cross-shareholding or not.

(iii) Number of issues and balance sheet amount

(a) Kirin Holdings Company, Limited

	Number of issues	Balance sheet amount (¥ millions)
Unlisted shares	22	4,765
Shares other than unlisted shares	1	474

Issues whose number of shares increased during the fiscal year ended December 31, 2023

	Number of issues	Total acquisition cost for increased shares (¥ millions)	Reason for increase in number of shares
Unlisted shares	–	–	
Shares other than unlisted shares	–	–	

Issues whose number of shares decreased during the fiscal year ended December 31, 2023

	Number of issues	Total sale amount for decreased shares (¥ millions)
Unlisted shares	1	–
Shares other than unlisted shares	–	–

Note: Changes due to share consolidation, share split, share transfer, share exchange, merger, etc. are not included in increased or decreased issues.

(b) Kirin Brewery Company, Limited

	Number of issues	Balance sheet amount (¥ millions)
Unlisted shares	81	4,516
Shares other than unlisted shares	45	28,418

Issues whose number of shares increased during the fiscal year ended December 31, 2023

	Number of issues	Total acquisition cost for increased shares (¥ millions)	Reason for increase in number of shares
Unlisted shares	–	–	–
Shares other than unlisted shares	3	7	To maintain and strengthen the business relationship and thereby contribute to increasing the Company’s brand value

Issues whose number of shares decreased during the fiscal year ended December 31, 2023

	Number of issues	Total sale amount for decreased shares (¥ millions)
Unlisted shares	2	0
Shares other than unlisted shares	11	7,764

Note: Changes due to share consolidation, share split, share transfer, share exchange, merger, etc. are not reflected in increased or decreased issues.

(iv) Information on number of shares, balance sheet amount, etc. by issue of specified investment shares and deemed holdings of shares

(a) Kirin Holdings Company, Limited

Specified investment shares

Issues	At December 31, 2023	At December 31, 2022	Purpose of shareholding, outline of business alliance, etc., quantitative effects of shareholding and reason for the increase in the number of shares	Whether the investee holds Kirin Holdings' shares
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (¥ millions)	Balance sheet amount (¥ millions)		
Nightingale Health Oyj	2,702,077	2,702,077	Shares are held to maintain and strengthen business relationships, including the development of business in Japan for the company's services. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	474	386		

Notes:
1. "–" indicates that Kirin Holdings Company, Limited does not hold these shares.
2. It is difficult to provide quantitative description of the effect of holding each individual issue. The reasonableness of shareholding was examined at the Board meeting held on January 29, 2024 for all cross-shareholdings as of the end of this fiscal year, to determine whether to continue each cross-shareholding or not.

There are no deemed holdings of shares.

(b) Kirin Brewery Company, Limited
Specified investment shares

Issues	At December 31, 2023 Number of shares (shares) Balance sheet amount (¥ millions)	At December 31, 2022 Number of shares (shares) Balance sheet amount (¥ millions)	Purpose of shareholding, outline of business alliance, etc., quantitative effects of shareholding and reason for the increase in the number of shares	Whether the investee holds Kirin Holdings' shares
SKYLARK HOLDINGS CO., LTD.	3,333,300	3,333,300	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	6,883	5,090		
Central Japan Railway Company	1,268,500	253,700	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	4,546	4,111		
HIDAY HIDAKA Corp.	1,104,665	1,104,665	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	3,144	2,136		
Chimney Co., Ltd.	1,000,000	1,000,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	1,431	1,125		
ROYAL HOLDINGS Co., Ltd.	512,212	512,212	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	1,322	1,188		

Issues	At December 31, 2023	At December 31, 2022	Purpose of shareholding, outline of business alliance, etc., quantitative effects of shareholding and reason for the increase in the number of shares	Whether the investee holds Kirin Holdings' shares
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (¥ millions)	Balance sheet amount (¥ millions)		
DAISYO CORPORATION	1,000,000	1,000,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	1,234	1,042		
Imperial Hotel, Ltd.	1,200,000	600,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	Yes
	1,144	1,159		
Kisoji Co., Ltd.	352,049	352,049	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	903	738		
RINGER HUT CO., LTD.	332,780	332,780	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	784	732		
SRS HOLDINGS CO., LTD.	600,000	600,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	Yes
	658	523		
East Japan Railway Company	80,000	80,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	650	602		

Issues	At December 31, 2023 Number of shares (shares) Balance sheet amount (¥ millions)	At December 31, 2022 Number of shares (shares) Balance sheet amount (¥ millions)	Purpose of shareholding, outline of business alliance, etc., quantitative effects of shareholding and reason for the increase in the number of shares	Whether the investee holds Kirin Holdings' shares
Oriental Land Co., Ltd.	115,000	280,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	604	5,365		
HACHI-BAN CO., LTD.	138,310	138,310	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	458	426		
SFP Holdings Co., Ltd.	210,000	210,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	445	378		
DAIICHIKOSHO CO., LTD.	200,000	100,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	Yes
	417	398		
Kakuyasu Group Co., Ltd.	216,000	216,000	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	378	280		
West Japan Railway Company	60,000	60,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	353	344		
Inageya Co., Ltd.	248,100	606,000	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	Yes
	315	751		

Issues	At December 31, 2023	At December 31, 2022	Purpose of shareholding, outline of business alliance, etc., quantitative effects of shareholding and reason for the increase in the number of shares	Whether the investee holds Kirin Holdings' shares
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (¥ millions)	Balance sheet amount (¥ millions)		
BALNIBARBI Co., Ltd.	188,000	188,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	230	186		
Umenohana Co., Ltd.	201,300	201,300	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	200	196		
TOKYO KAIKAN CO., LTD.	54,582	54,582	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	199	165		
SEIBU HOLDINGS INC.	96,900	96,900	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	190	140		
EAT&HOLDINGS Co., Ltd.	90,000	90,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	189	210		
Kintetsu Group Holdings Co., Ltd.	41,569	41,569	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	186	181		
Japan Airport Terminal Co., Ltd.	28,330	101,210	Shares were held to maintain and strengthen the business relationships such as marketing policy, but sold during this fiscal year.	No
	176	661		

Issues	At December 31, 2023 Number of shares (shares) Balance sheet amount (¥ millions)	At December 31, 2022 Number of shares (shares) Balance sheet amount (¥ millions)	Purpose of shareholding, outline of business alliance, etc., quantitative effects of shareholding and reason for the increase in the number of shares	Whether the investee holds Kirin Holdings' shares
LifeFoods Co., Ltd.	100,000	100,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	170	166		
AEON Co., Ltd.	53,452	52,077	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate. We constantly acquire shares in the entity through their share ownership association for the purpose of boosting our brand development.	No
	168	145		
Hotel New Grand Co., Ltd.	33,008	33,008	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	148	128		
YAMAE GROUP HOLDINGS CO., LTD.	35,900	34,964	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate. We constantly acquire shares in the entity through their share ownership association for the purpose of boosting our brand development.	Yes
	137	51		
WDI Corporation	40,000	40,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	110	79		
Asakuma Co., Ltd.	42,000	42,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	88	66		
ITOCHU-SHOKUHIN Co., Ltd.	10,000	10,000	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	Yes
	79	49		

Issues	At December 31, 2023 Number of shares (shares) Balance sheet amount (¥ millions)	At December 31, 2022 Number of shares (shares) Balance sheet amount (¥ millions)	Purpose of shareholding, outline of business alliance, etc., quantitative effects of shareholding and reason for the increase in the number of shares	Whether the investee holds Kirin Holdings' shares
THE KYOTO HOTEL, LTD.	110,600	110,600	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	79	77		
DOUTOR• NICHIRES Holdings Co., Ltd.	33,740	33,740	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	74	58		
KAMEI CORPORATION	42,700	85,400	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	Yes
	73	104		
UKAI CO., LTD.	16,800	16,800	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	61	53		
TORIDOLL Holdings Corporation	14,562	14,562	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	59	39		
GOURMET KINEYA CO., LTD.	39,600	39,600	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	42	39		
NAKAMURAYA CO., LTD.	8,500	8,500	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	Yes
	26	26		

Issues	At December 31, 2023	At December 31, 2022	Purpose of shareholding, outline of business alliance, etc., quantitative effects of shareholding and reason for the increase in the number of shares	Whether the investee holds Kirin Holdings' shares
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (¥ millions)	Balance sheet amount (¥ millions)		
SLD Entertainment, Inc.	20,000	40,000	Shares are held to maintain and strengthen the business relationship with the entity in terms of marketing policy because the entity has a large number of touchpoints with customers and is expected to benefit us, for example, helping develop our brand by handling our products. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	19	24		
RETAIL PARTNERS CO., LTD.	10,000	10,000	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	17	13		
Valor Holdings Co., Ltd.	6,336	6,336	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	15	12		
AEON KYUSHU Co., Ltd.	3,600	3,600	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	9	9		
COSMOS Pharmaceutical Corporation	200	200	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate.	No
	3	3		
Welcia Holdings Co., Ltd.	941	715	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. Although it is difficult to provide quantitative and qualitative description of the effect of holding each individual issue, we verify the significance of holding it as appropriate. We constantly acquire shares in the entity through their share ownership association for the purpose of boosting our brand development.	No
	2	2		
ARCS COMPANY, LIMITED	–	45,738	Shares were held to maintain and strengthen the business relationships such as sales and marketing policy, but sold during this fiscal year.	No
	–	100		
YAOKO CO., LTD.	–	20,000	Shares were held to maintain and strengthen the business relationships such as sales and marketing policy, but sold during this fiscal year.	No
	–	136		
Rock Field Co., Ltd.	–	102,200	Shares were held to maintain and strengthen the business relationships such as sales and marketing policy, but sold during this fiscal year.	No
	–	154		
Kabuki-za Co., Ltd.	–	2,499	Shares were held to maintain and strengthen the business relationships such as sales and marketing policy, but sold during this fiscal year.	No
	–	12		

Issues	At December 31, 2023	At December 31, 2022	Purpose of shareholding, outline of business alliance, etc., quantitative effects of shareholding and reason for the increase in the number of shares	Whether the investee holds Kirin Holdings' shares
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (¥ millions)	Balance sheet amount (¥ millions)		
KANSAI FOOD MARKET LTD.	–	6,600	Shares were held to maintain and strengthen the business relationships such as sales and marketing policy, but sold during this fiscal year.	No
	–	8		
FUJITA KANKO INC.	–	17,436	Shares were held to maintain and strengthen the business relationships such as sales and marketing policy, but sold during this fiscal year.	No
	–	52		

Notes:
1. "–" indicates that Kirin Brewery Company, Limited does not hold these shares.
2. The reasonableness of shareholding was examined at the Board meeting held on January 29, 2024 for all cross-shareholdings as of the end of this fiscal year, to determine whether to continue each cross-shareholding or not.

There are no deemed holdings of shares.

3) Investment shares held for pure investment

(a) Kirin Holdings Company, Limited

The Company has no investment shares held for pure investment.

(b) Kirin Brewery Company, Limited

Kirin Brewery has no investment shares held for pure investment.

V. FINANCIAL INFORMATION

1. Basis of preparation of the consolidated financial statements and the financial statements

(1) The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") pursuant to Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Order of the Ministry of Finance No. 28 of 1976, hereinafter, the "Regulation on Consolidated Financial Statements").

(2) The financial statements of the Company have been prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Order of the Ministry of Finance No. 59 of 1963, hereinafter, the "Regulation on Financial Statements"). The Company is qualified as a special company submitting financial statements, and prepares its financial statements in accordance with Article 127 of the Regulation on Financial Statements.

(3) Figures disclosed in the consolidated financial statements and financial statements are rounded to million yen.

2. Audit certification

The consolidated financial statements and the financial statements for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023) were audited by KPMG AZSA LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc. and development of a system for the appropriate preparation of the consolidated financial statements, etc. in accordance with IFRS

The Company makes special efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation to develop a system that enables the proper understanding of the contents of accounting standards, etc. and the appropriate responses to any changes in accounting standards, etc. The Company also participates in training courses hosted by audit firms and other relevant organizations and is a regular subscriber to specialized magazines on accounting.
In addition, the Company keeps up with the latest accounting standards by obtaining from time to time press releases and standards issued by the International Accounting Standards Board. The Company also ensures the appropriate preparation of the consolidated financial statements, etc. under IFRS by developing group-wide accounting policies in accordance with IFRS, and carrying out accounting processes based on these policies.

Consolidated Financial Statements
Consolidated Statement of Financial Position

Kirin Holdings Company, Limited and Consolidated Subsidiaries
At December 31, 2023 and 2022

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Assets		
Non-current assets		
Property, plant and equipment (Notes 6, 9 and 18)	¥ 560,642	**¥ 592,928**
Goodwill (Notes 7 and 9)	289,526	**390,568**
Intangible assets (Notes 8, 9 and 18)	200,900	**303,540**
Equity-accounted investees (Notes 5 and 36)	361,764	**370,720**
Other financial assets (Note 10)	103,380	**105,346**
Other non-current assets (Note 19)	27,700	**39,340**
Deferred tax assets (Note 11)	111,330	**109,322**
Total non-current assets	1,655,242	**1,911,764**
Current assets		
Inventories (Note 12)	290,171	**330,984**
Trade and other receivables (Note 13)	409,168	**444,940**
Other financial assets (Note 10)	8,376	**8,944**
Other current assets	41,128	**37,552**
Cash and cash equivalents (Note 14)	88,060	**131,399**
(Sub-total)	836,903	**953,818**
Assets held for sale (Note 15)	50,117	**4,004**
Total current assets	887,021	**957,821**
Total assets	¥2,542,263	**¥2,869,585**

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Equity		
Share capital (Note 16)	¥ 102,046	**¥ 102,046**
Share premium (Note 16)	25,519	**21,150**
Retained earnings (Note 16)	1,063,823	**1,128,541**
Treasury shares (Note 16)	(251,788)	**(251,675)**
Reserves (Note 16)	40,423	**132,519**
Equity attributable to owners of the Company	980,022	**1,132,581**
Non-controlling interests (Note 35)	273,181	**293,257**
Total equity	1,253,203	**1,425,838**
Liabilities		
Non-current liabilities		
Bonds and borrowings (Notes 17 and 28)	408,662	**555,725**
Other financial liabilities (Notes 17, 18 and 28)	129,662	**82,914**
Defined benefit liability (Note 19)	58,084	**55,228**
Provisions (Note 20)	3,292	**4,316**
Liabilities from application of equity method (Note 36)	15,529	**13,966**
Other non-current liabilities (Note 22)	27,572	**19,921**
Deferred tax liabilities (Note 11)	13,564	**38,871**
Total non-current liabilities	656,365	**770,941**
Current liabilities		
Bonds and borrowings (Notes 17 and 28)	114,459	**100,673**
Trade and other payables (Note 21)	265,185	**306,670**
Other financial liabilities (Notes 17, 18 and 28)	59,824	**61,720**
Current tax liabilities	4,611	**9,687**
Provisions (Note 20)	2,970	**4,153**
Other current liabilities (Note 22)	177,530	**189,904**
(Sub-total)	624,579	**672,806**
Liabilities directly associated with assets held for sale (Note 15)	8,116	**-**
Total current liabilities	632,695	**672,806**
Total liabilities	1,289,060	**1,443,747**
Total equity and liabilities	¥2,542,263	**¥2,869,585**

Consolidated Statement of Profit or Loss

Kirin Holdings Company, Limited and Consolidated Subsidiaries
For the years ended December 31, 2023 and 2022

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Revenue (Notes 5 and 23)	¥1,989,468	**¥2,134,393**
Cost of sales	1,083,755	**1,170,927**
Gross profit	905,713	**963,466**
Selling, general and administrative expenses (Note 24)	714,554	**761,971**
Other operating income (Note 9 and 25)	29,454	**28,835**
Other operating expenses (Notes 9 and 26)	104,594	**80,036**
Operating profit	116,019	**150,294**
Finance income (Note 27)	10,978	**9,035**
Finance costs (Note 27)	6,478	**10,523**
Share of profit of equity-accounted investees (Note 36)	22,780	**32,773**
Gain on sale of equity-accounted investees	48,088	**15,470**
Profit before tax	191,387	**197,049**
Income tax expense (Note 11)	47,615	**46,611**
Profit	143,771	**150,438**
Profit attributable to:		
Owners of the Company	111,007	**112,697**
Non-controlling interests (Note 35)	32,764	**37,741**
Profit	¥ 143,771	**¥ 150,438**
Earnings per share (Yen) (Note 30)		
Basic earnings per share	¥ 135.08	**¥ 139.16**
Diluted earnings per share	135.07	**139.15**

Consolidated Statement of Comprehensive Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries
For the years ended December 31, 2023 and 2022

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Profit	¥ 143,771	**¥ 150,438**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in equity instruments measured at fair value through other comprehensive income (Note 29)	1,937	**7,854**
Remeasurements of defined benefit plans (Note 29)	5,126	**6,273**
Share of other comprehensive income of equity-accounted investees (Note 29)	694	**(1,504)**
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations (Note 29)	48,639	**93,125**
Cash flow hedges (Note 29)	(1,600)	**(1,100)**
Share of other comprehensive income of equity-accounted investees (Note 29)	21,269	**6,715**
Total other comprehensive income	76,065	**111,362**
Comprehensive income	¥219,836	**¥261,801**

Comprehensive income attributable to:		
Owners of the Company	¥189,195	**¥214,321**
Non-controlling interests (Note 35)	30,641	**47,480**
Comprehensive income	¥219,836	**¥261,801**

Consolidated Statement of Changes in Equity

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the year ended December 31, 2022

(¥ millions)

	Equity attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Treasury shares
Balance at January 1, 2022	¥102,046	¥25,104	¥998,177	¥(201,801)
Profit	-	-	111,007	-
Other comprehensive income	-	-	-	-
Comprehensive income	-	-	111,007	-
Dividends from surplus (Note 16)	-	-	(53,778)	-
Acquisition of treasury shares (Note 16)	-	-	-	(50,018)
Disposal of treasury shares (Note 16)	-	(0)	-	1
Share-based payments (Note 31)	-	229	(1)	30
Changes in the ownership interest in a subsidiary without a loss of control	-	186	-	-
Transfer from reserves to retained earnings	-	-	8,419	-
Other	-	-	-	-
Total transactions with owners of the Company	-	415	(45,361)	(49,987)
Balance at December 31, 2022	¥102,046	¥25,519	¥1,063,823	¥(251,788)

	Equity attributable to owners of the Company							
	Reserves							
	Net change in equity instruments measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Foreign currency translation differences on foreign operations	Cash flow hedges	Total	Total	Non-controlling interests	Total equity
Balance at January 1, 2022	¥17,978	¥ -	¥(47,935)	¥ 610	¥(29,347)	¥894,179	¥253,811	¥1,147,990
Profit	-	-	-	-	-	111,007	32,764	143,771
Other comprehensive income	1,881	5,386	72,520	(1,598)	78,188	78,188	(2,124)	76,065
Comprehensive income	1,881	5,386	72,520	(1,598)	78,188	189,195	30,641	219,836
Dividends from surplus (Note 16)	-	-	-	-	-	(53,778)	(11,688)	(65,466)
Acquisition of treasury shares (Note 16)	-	-	-	-	-	(50,018)	-	(50,018)
Disposal of treasury shares (Note 16)	-	-	-	-	-	1	-	1
Share-based payments (Note 31)	-	-	-	-	-	257	(196)	62
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	186	632	818
Transfer from reserves to retained earnings	(3,033)	(5,386)	-	-	(8,419)	-	-	-
Other	-	-	-	-	-	-	(20)	(20)
Total transactions with owners of the Company	(3,033)	(5,386)	-	-	(8,419)	(103,352)	(11,271)	(114,623)
Balance at December 31, 2022	¥16,826	¥ -	¥24,585	¥ (988)	¥40,423	¥980,022	¥273,181	¥1,253,203

For the year ended December 31, 2023

(¥ millions)

	Equity attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Treasury shares
Balance at January 1, 2023	**¥102,046**	**¥25,519**	**¥1,063,823**	**¥(251,788)**
Profit	**-**	**-**	**112,697**	**-**
Other comprehensive income	**-**	**-**	**-**	**-**
Comprehensive income	**-**	**-**	**112,697**	**-**
Dividends from surplus (Note 16)	**-**	**-**	**(57,500)**	**-**
Acquisition of treasury shares (Note 16)	**-**	**-**	**-**	**(21)**
Disposal of treasury shares (Note 16)	**-**	**(0)**	**-**	**2**
Change in scope of consolidation	**-**	**-**	**-**	**-**
Share-based payments (Note 31)	**-**	**220**	**(7)**	**132**
Changes in the ownership interest in a subsidiary without a loss of control	**-**	**(4,589)**	**-**	**-**
Transfer from reserves to retained earnings	**-**	**-**	**9,528**	**-**
Total transactions with owners of the Company	**-**	**(4,369)**	**(47,978)**	**113**
Balance at December 31, 2023	**¥102,046**	**¥21,150**	**¥1,128,541**	**¥(251,675)**

	Equity attributable to owners of the Company							
	Reserves							
	Net change in equity instruments measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Foreign currency translation differences on foreign operations	Cash flow hedges	Total	Total	Non-controlling interests	Total equity
Balance at January 1, 2023	**¥16,826**	**¥ -**	**¥24,585**	**¥(988)**	**¥40,423**	**¥980,022**	**¥273,181**	**¥1,253,203**
Profit	**-**	**-**	**-**	**-**	**-**	**112,697**	**37,741**	**150,438**
Other comprehensive income	**7,318**	**4,503**	**90,077**	**(275)**	**101,624**	**101,624**	**9,739**	**111,362**
Comprehensive income	**7,318**	**4,503**	**90,077**	**(275)**	**101,624**	**214,321**	**47,480**	**261,801**
Dividends from surplus (Note 16)	**-**	**-**	**-**	**-**	**-**	**(57,500)**	**(13,742)**	**(71,242)**
Acquisition of treasury shares (Note 16)	**-**	**-**	**-**	**-**	**-**	**(21)**	**-**	**(21)**
Disposal of treasury shares (Note 16)	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Change in scope of consolidation	**-**	**-**	**-**	**-**	**-**	**-**	**(18,726)**	**(18,726)**
Share-based payments (Note 31)	**-**	**-**	**-**	**-**	**-**	**346**	**(117)**	**229**
Changes in the ownership interest in a subsidiary without a loss of control	**-**	**-**	**-**	**-**	**-**	**(4,589)**	**5,181**	**592**
Transfer from reserves to retained earnings	**(5,025)**	**(4,503)**	**-**	**-**	**(9,528)**	**-**	**-**	**-**
Total transactions with owners of the Company	**(5,025)**	**(4,503)**	**-**	**-**	**(9,528)**	**(61,762)**	**(27,403)**	**(89,166)**
Balance at December 31, 2023	**¥19,119**	**¥ -**	**¥114,662**	**¥(1,263)**	**¥132,519**	**¥1,132,581**	**¥293,257**	**¥1,425,838**

Consolidated Statement of Cash Flows

Kirin Holdings Company, Limited and Consolidated Subsidiaries
For the years ended December 31, 2023 and 2022

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Cash flows from operating activities		
Profit before tax	¥ 191,387	**¥ 197,049**
Depreciation and amortization	85,937	**87,227**
Impairment losses	66,200	**29,987**
Gain on reversal of impairment losses	(13,152)	**(64)**
Interest and dividends received	(4,497)	**(4,120)**
Share of profit of equity-accounted investees	(22,780)	**(32,773)**
Interest paid	4,894	**5,932**
Gain on sale of property, plant and equipment and intangible assets	(9,512)	**(6,119)**
Loss on disposal and sale of property, plant and equipment and intangible assets	4,571	**2,616**
Gain on sale of shares of subsidiaries	-	**(14,822)**
Loss on sale of shares of subsidiaries (Note 28)	250	**19,358**
Gain on sale of equity-accounted investees	(48,088)	**(15,470)**
(Increase) decrease in trade receivables	(8,455)	**(13,365)**
(Increase) decrease in inventories	(39,490)	**(20,063)**
Increase (decrease) in trade payables	18,384	**10,972**
Increase (decrease) in liquor taxes payable	(7,383)	**434**
Other	(34,251)	**(29,339)**
Sub-total	184,014	**217,440**
Interest and dividends received	24,731	**27,855**
Interest paid	(4,367)	**(5,441)**
Income taxes paid	(68,815)	**(36,647)**
Cash flows from (used in) operating activities	135,562	**203,206**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(98,479)	**(113,810)**
Proceeds from sale of property, plant and equipment and intangible assets	11,324	**7,465**
Acquisition of investments	(2,425)	**(1,380)**
Proceeds from sale of investments	7,884	**7,990**
Acquisition of shares of subsidiaries, net of cash acquired (Note 38)	(46,183)	**(162,097)**
Payment for sale of shares of subsidiaries, net of cash disposed of (Note 28)	(442)	**(5,006)**
Proceeds from sale of shares of subsidiaries, net of cash disposed of	-	**8,024**
Acquisition of equity-accounted investees	(9,382)	**(18)**
Proceeds from sale of equity-accounted investees	122,249	**24,017**
Other	5,054	**8,723**
Cash flows from (used in) investing activities	(10,399)	**(226,091)**
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(6,083)	**(1,900)**
Increase (decrease) in commercial paper	(55,009)	**(18,000)**
Proceeds from long-term borrowings	71,851	**171,532**
Repayment of long-term borrowings	(67,612)	**(63,478)**
Proceeds from issuance of bonds	20,000	**93,000**
Payment for redemption of bonds	-	**(55,000)**
Repayment of lease liabilities	(19,387)	**(18,621)**
Payment for acquisition of treasury shares	(50,040)	**(25)**
Payment for acquisition of treasury shares by a consolidated subsidiary	(11)	**(10)**
Proceeds from settlement of derivatives	4,072	**-**
Dividends paid (Note 16)	(53,778)	**(57,500)**
Dividends paid to non-controlling interests	(11,688)	**(13,660)**
Other	(151)	**(428)**
Cash flows from (used in) financing activities (Note 28)	(167,835)	**35,909**
Effect of exchange rate changes on cash and cash equivalents	6,728	**4,832**
Net increase (decrease) in cash and cash equivalents	(35,944)	**17,855**
Cash and cash equivalents at beginning of year	149,488	**88,060**
Net increase (decrease) in cash and cash equivalents resulting from transfers to assets held for sale (Notes 15 and 28)	(25,484)	**25,484**
Cash and cash equivalents at end of year (Note 14)	¥88,060	**¥131,399**

Notes to Consolidated Financial Statements

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2023 and 2022

1. REPORTING ENTITY

Kirin Holdings Company, Limited ("the Company") is a corporation domiciled in Japan. Its registered address is disclosed on the Company's website (https://www.kirinholdings.com/).

The Company and its subsidiaries ("the Group") are involved in the production and sale of alcoholic beverages, soft drinks, and pharmaceutical products, and other related businesses.

2. BASIS OF PREPARATION

(1) COMPLIANCE WITH IFRS

In accordance with Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the Group's consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") as the Group meets the requirements concerning the "Specified Company Complying with Designated International Accounting Standards" prescribed in Article 1-2 of the Ordinance.

(2) AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements were authorized for issue by Takeshi Minakata, President & COO of the Company, and Shinjiro Akieda, Director of the Board and Senior Executive Officer of the Company, on March 28, 2024.

(3) BASIS OF MEASUREMENT

The Group's consolidated financial statements have been prepared based on historical cost, except for specific financial instruments and other assets as set out in Note 3. Material accounting policies.

(4) FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, and all amounts have been rounded to the nearest million, unless otherwise indicated.

(5) KEY ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Group's consolidated financial statements include accounting judgments by management and management's estimates and assumptions concerning the measurement of income, expenses, assets and liabilities and the disclosure of contingencies at the reporting date. By their nature, actual results may differ from these estimates and assumptions.
Estimates and assumptions are reviewed by management on an ongoing basis. The effects of any revisions to these estimates and assumptions are recognized in the period of the revisions and subsequent periods.
Accounting judgments that have significant effects on the amounts recognized in the Group's consolidated financial statements are as follows:

- Determination of cash-generating units or groups of cash-generating units in impairment tests for property, plant and equipment, goodwill and intangible assets (Note 9. Impairment of non-financial assets)

Moreover, estimates and assumptions that have significant effects on the amounts recognized in the Group's consolidated financial statements are as follows:

- Valuation of property, plant and equipment, goodwill and intangible assets (Note 9. Impairment of non-financial assets)
- Recoverability of deferred tax assets (Note 11. Income tax)
- Valuation of equity-accounted investees (Note 36. Equity-accounted investees)

(6) CHANGES IN ACCOUNTING POLICIES

Amendments to IAS 12 Income Taxes
The Group has adopted the "International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)" published on May 23, 2023, from the year ended December 31, 2023. The Group applies the exception stipulated in the amended IAS 12 and does not recognize or disclose information about deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules. This change in accounting policy is not expected to have a material impact on the Group's consolidated financial statements.

(7) CHANGES IN PRESENTATION

Consolidated statement of cash flows
"Loss on sale of shares of subsidiaries," which was included in "Other" under cash flows from operating activities, and "Payment for sale of shares of subsidiaries, net of cash disposed of," which was included in "Other" under cash flows from investing activities in the year ended December 31, 2022, are presented separately from the year ended December 31, 2023 as the amounts became material. Accordingly, the amount previously reported as minus ¥34,002 million under "Other" in cash flows from operating activities in the consolidated statement of cash flows for the year ended December 31, 2022 has been reclassified as ¥250 million under "Loss on sale of shares of subsidiaries" and minus ¥34,251 million under

"Other." The amount previously reported as ¥4,612 million under "Other" in cash flows from investing activities has been reclassified as minus ¥442 million under "Payment for sale of shares of subsidiaries, net of cash disposed of" and ¥5,054 million under "Other."

3. MATERIAL ACCOUNTING POLICIES

(1) BASIS OF CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries, and interests in associates and joint arrangements.

1) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which control commences until the date on which control ceases.

A subsidiary with a different reporting period is consolidated based on its additional financial statements at the consolidated reporting date.

Changes in the ownership interest of a subsidiary without a loss of control are accounted for as equity transactions. Any difference between the adjustment of non-controlling interests and the fair value of the consideration received is recognized directly in equity as equity attributable to owners of the Company. If control over a subsidiary is lost, the Company derecognizes the subsidiary's assets and liabilities and the non-controlling interests related to the subsidiary. Any interest retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gain or loss related to the loss of control is accounted for as profit or loss.

Intra-group balances of receivables and payables, intra-group transactions, and unrealized gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

2) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method from the date on which significant influence commence until the date on which it loses such influence, and are recognized at cost at the date of acquisition.

With regard to certain equity-accounted investees, such as SAN MIGUEL BREWERY INC., it is impracticable to access their financial statements in a timely manner and unify the ends of the reporting periods, due to regulatory constraints in the jurisdictions where such entities (including their parents) are located or listed, or in the light of relationships with other shareholders. As a result, the equity method is applied to such equity-accounted investees based on financial information for the period ended three months before the Group's reporting date with adjustments for the effects of significant transactions and events which occurred between the end of the reporting period of the equity-accounted investees and that of the Group.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

If significant influence over an associate is lost and the application of the equity method is discontinued, gain or loss on sale of the interest in the associate is recognized in profit or loss. Any remaining interest is remeasured at fair value, and any gain or loss on such remeasurement is also recognized in profit or loss.

3) Joint arrangements

Joint arrangements are contractual arrangements based on which two or more parties have joint control. Depending upon the rights and obligations of the parties to the arrangement, the Group classifies a joint arrangement into a joint operation where the Group has rights to the assets and obligations to the liabilities relating to the arrangement, and a joint venture where the Group has only rights to the net assets of the arrangement. The Group recognizes the assets, liabilities, income and expenses relating to its interest from the date on which joint control commences until the date on which joint control ceases in a joint operation while a joint venture is accounted for using the equity method from the date on which joint control commences until the date on which joint control ceases.

If joint control over a joint venture is lost, it is accounted for similarly to associates.

4) Business combinations

Business combinations are accounted for using the acquisition method.

Identifiable assets acquired and liabilities assumed of are measured at fair value at the date of acquisition (the date on which control commences).

Goodwill is measured as the excess of the aggregate of the consideration transferred in a business combination, the amount of non-controlling interest in the acquiree and the acquisition-date fair value of equity interest in the acquiree previously held by the acquirer, over the net amount of identifiable assets and liabilities at the date of acquisition. The consideration transferred in a business combination is measured as the sum of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The Group elects to measure non-controlling interests in the acquiree for each business combination at either fair value or at the proportionate share of the acquiree's identifiable net assets.

If the initial accounting processing has not been completed by the end of the period in which a business combination occurred, provisional amounts are used for the accounting treatment. When new information on the facts and circumstances that existed at the acquisition date is obtained during a measurement period within one year from the acquisition date, these provisional amounts are revised retroactively.

The additional acquisition of non-controlling interests after obtaining control is accounted for as an equity transaction, and no goodwill is recognized.

The Group applies book value accounting to acquisitions under common control, which are business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combinations, and that control is not transitory.

(2) FOREIGN CURRENCY TRANSLATION

1) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions or the rate that approximates the actual rate.

At the end of the reporting period, foreign currency monetary items are retranslated into the functional currency at the closing rate, and non-monetary items that are measured at fair value in a foreign currency are retranslated using the exchange rates at the dates when the fair value was measured.

Exchange differences arising from the translation and settlement are recognized in profit or loss. However, exchange differences arising from financial assets measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

2) Foreign operations

The assets and liabilities in the statement of financial position of foreign operations are translated using the exchange rates at the dates of their respective statement of financial position. Income and expenses in the statements of profit or loss and comprehensive income of foreign operations are translated using the average exchange rates, unless exchange rates fluctuate significantly.

Exchange differences arising from the translation are recognized in other comprehensive income. In cases where a foreign operation is disposed of, the cumulative amount of exchange differences related to the foreign operation is transferred to profit or loss in the period of disposal.

(3) FINANCIAL INSTRUMENTS

1) Financial assets (excluding derivatives)

(i) Initial recognition and measurement

Financial assets are classified into financial assets measured at amortized cost, at fair value through profit or loss, and at fair value through other comprehensive income. The Group determines the classification at initial recognition of the financial assets. A regular way purchase or sale of financial assets is recognized or derecognized at the transaction date.

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

As to equity instruments that are financial assets measured at fair value and not held for trading, each equity instrument may be irrevocably designated to be measured at fair value through other comprehensive income. Equity instruments which are not irrevocably designated to be measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

All financial assets, except for those classified into the category as measured at fair value through profit or loss, are measured at fair value plus transaction costs that are directly attributable to the financial assets. However, trade receivables are measured at their transaction price if the trade receivables do not contain a significant financing component.

Accounting for derivatives is described in “4) Derivatives and hedge accounting.”

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on classification as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Changes in their fair value are recognized in profit or loss or in other comprehensive income based on the classification of the financial assets. Dividends on equity instruments designated as measured at fair value through other comprehensive income are recognized in profit or loss. When the decline in the fair value of the financial assets is significant or when they are derecognized, the cumulative amount that has been recognized in equity through other comprehensive income is transferred to retained earnings.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows expire, or when they are transferred and substantially all the risks and rewards of ownership are transferred.

2) Impairment of financial assets

An allowance for doubtful accounts is recognized for expected credit losses on financial assets measured at amortized cost.

Expected credit losses are measured as the present value of the difference between contractual cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Changes in allowance for doubtful accounts are recorded in profit or loss.

After initial recognition, financial instruments are classified into the following three stages at the reporting date to measure their expected credit losses:

	Explanation	Measurement method of expected credit losses
Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition	12-month expected credit loss
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition	Lifetime expected credit loss
Stage 3	Financial instruments for which there is evidence of credit impairment	Lifetime expected credit loss

The Group, in principle, determines that the credit risk on a financial asset has increased significantly since initial recognition if it is more than 30 days past due on the contract, and that a financial asset is in default if it is more than 90 days past due. When a financial asset is in default or when there is evidence of impairment including significant financial difficulty of the issuer or borrower, the Group determines that the financial asset is credit-impaired.
However, regardless of the above, for certain financial assets such as trade receivables without a significant financing component, the allowance for doubtful accounts is measured at an amount equal to lifetime expected losses (the simplified approach).
Expected credit losses are measured using reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.
If the Group reasonably considers that there are no prospects of the full or partial recovery of financial assets, the carrying amount of the financial assets is written off.

3) Financial liabilities (excluding derivatives)
(i) Initial recognition and measurement
Financial liabilities are classified into financial liabilities measured at amortized cost, measured at fair value through profit or loss, and under financial guarantee contracts. The Group determines the classification at initial recognition of the financial liabilities.
All financial liabilities are initially measured at fair value; provided, however, that financial liabilities measured at amortized cost are measured at fair value less transaction costs that are directly attributable to the financial liabilities.
Accounting for derivatives is described in “4) Derivatives and hedge accounting.”

(ii) Subsequent measurement
After initial recognition, financial liabilities are measured based on classification as follows:
(a) Financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method after initial recognition. Interest cost using the effective interest method as well as any gain or loss on derecognition is recognized in the consolidated statement of profit or loss.
(b) Financial liabilities measured at fair value through profit or loss
Financial liabilities measured at fair value through profit or loss are measured at fair value after initial recognition, and changes in their fair value are recognized in profit or loss for the year.
(c) Financial guarantee contracts
After initial recognition, financial guarantee contracts are measured at the higher of:

- the amount of allowance for doubtful accounts determined in accordance with 2) Impairment of financial assets above; and
- the amount initially measured less the cumulative amount of income recognized in accordance with the principles of IFRS 15 “Revenue from Contracts with Customers”.

(iii) Derecognition
Financial liabilities are derecognized when the obligations are discharged or cancelled, or expire.

4) Derivatives and hedge accounting
The Group utilizes derivatives, including forward foreign exchange contracts, currency swaps, interest rate swaps and commodity swaps, to hedge foreign exchange risk, interest rate risk and commodity price risk. These derivatives are initially measured at fair value at inception, and are subsequently remeasured at fair value.
Changes in the fair value of derivatives are recognized in the consolidated statement of profit or loss. However, the effective portion of cash flow hedges and hedges of net investment in foreign operations are recognized in the consolidated statement of comprehensive income.
At the inception of the hedge, the Group formally designates and documents the hedging relationship to which hedge accounting is applied and the objectives and strategies of risk management for undertaking the hedge. The documentation includes specific hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how the effectiveness of changes in the fair value of hedging instruments is assessed in offsetting the exposure to changes in the hedged item’s cash flows attributable to the hedged risks. Even though these hedges are expected to be effective in offsetting changes in cash flows, they are assessed on an ongoing basis to determine whether they have actually been effective throughout the financial reporting periods for which they were designated.
Hedges that meet the requirements for hedge accounting are classified in the following categories and accounted for in accordance with IFRS 9:
(i) Cash flow hedge
The effective portion of gains or losses on hedging instruments is recognized in the consolidated statement of comprehensive income, while the ineffective portion is recognized immediately in the consolidated statement of profit or loss.
The amounts of hedging instruments recorded in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items are forecast transactions that result in the recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

When forecast transactions are no longer expected to occur, any related cumulative gain or loss that has been recognized in equity through other comprehensive income is reclassified to profit or loss. When hedging instruments expire, are sold, terminated or exercised without the replacement or rollover of other hedging instruments, the amounts that have been recognized in equity through other comprehensive income continue to be recorded in equity until the forecast transactions occur.
(ii) Hedge of net investment in foreign operations
Exchange differences resulting from net investments in foreign operations are accounted for similarly to cash flow hedges. The effective portion of gains or losses on hedging instruments is recognized in the consolidated statement of comprehensive income, while the ineffective portion is recognized in the consolidated statement of profit or loss. At the time of the disposal of the foreign operations, any related cumulative gain or loss that has been recognized in equity through other comprehensive income is reclassified to profit or loss.

5) Fair value of financial instruments
The fair value of financial instruments that are traded in active financial markets at the reporting date refers to quoted market prices.
If there is no active market, the fair value of financial instruments is determined using appropriate valuation techniques.

(4) PROPERTY, PLANT AND EQUIPMENT
Property, plant, and equipment is measured using the cost model after initial recognition and is stated at cost less accumulated depreciation and accumulated impairment losses.
The cost includes any costs directly attributable to the acquisition of the asset and the initial estimate of the costs of dismantling, removal and restoration.
The depreciation of assets other than land and construction in progress is recorded using the straight-line method over their estimated useful lives.
The estimated useful lives of major assets by category are as follows:

Buildings and structures	2-65 years
Machinery, equipment and vehicles	2-30 years
Tools, fixtures and fittings	2-20 years

Depreciation methods, useful lives and residual values are reviewed at each year-end, and if any changes are required, such changes are applied prospectively as changes in accounting estimates.

(5) GOODWILL
Goodwill arising from a business combination is stated at cost less accumulated impairment losses.
Goodwill is not amortized. It is allocated to cash-generating units or groups of cash-generating units and is tested for impairment annually and whenever there is any indication of impairment. Impairment losses on goodwill are recognized in profit or loss and no subsequent reversal is made.
When the internal monitoring unit for goodwill is changed, goodwill is reallocated to each cash-generating unit or group of cash-generating units based on the internal monitoring unit after the change.
The measurement of goodwill at initial recognition is provided in (1) Basis of consolidation 4) Business combinations.

(6) INTANGIBLE ASSETS
Intangible assets are measured using the cost model after initial recognition and are stated at cost less any accumulated amortization and accumulated impairment losses. The cost includes costs directly attributable to the acquisition of the asset for intangible assets acquired separately and, employee benefit expenses incurred arising from the generation of the asset and costs related to services consumed for internally generated intangible assets.
1) Intangible assets acquired separately
Intangible assets acquired separately are measured at cost at initial recognition.
2) Intangible assets acquired through business combinations
Intangible assets acquired through business combinations are measured at fair value at the date of acquisition.
3) Internally generated intangible assets (development costs)
The Group’s research and development expenses are expensed when incurred, except for expenditures on development activities for which the Group can demonstrate all of the following requirements for capitalization:

・The technical feasibility of completing the intangible asset so that it will be available for use or sale.
・Its intention to complete the intangible asset and use or sell it.
・Its ability to use or sell the intangible asset.
・How the intangible asset will generate probable future economic benefits.
・The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
・Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Major intangible assets of the Group are as follows:
(i) Brands
Brands are initially recognized at cost. In principle, as intangible assets with indefinite useful lives, they are not amortized because it is not possible to foresee the period over which their net cash inflows are expected to continue, and are tested for impairment annually and whenever there is any indication of impairment.
(ii) Marketing rights
Marketing rights are initially recognized at cost. They are amortized using the straight-line method over their estimated useful lives (5-20 years), and are tested for impairment whenever there is any indication of impairment

(iii) Software
Software is initially recognized at cost. It is amortized using the straight-line method over its estimated useful lives (2-10 years), and is tested for impairment whenever there is an indication of impairment.
(iv) Software in progress
Software in progress, which is software under development, is recognized at cost. It is transferred to software at the completion of software and is amortized using the straight-line method over its estimated useful life. It is tested for impairment annually and whenever there is any indication of impairment.
(v) Other
Other intangible assets are initially recognized at cost. Those with finite useful lives are amortized using the straight-line method over their estimated useful lives, and are tested for impairment whenever there is any indication of impairment. Those with indefinite useful lives are not amortized and are tested for impairment annually and whenever there is any indication of impairment.

Amortization methods, useful lives and residual values are reviewed at each year-end, and if any changes are required, such changes are applied prospectively as changes in accounting estimates.

(7) LEASES
Leases are recognized as right-of-use assets and lease liabilities at the lease commencement date.
1) Right-of-use assets
Right-of-use assets are initially measured at cost, which mainly comprises the amount of the initial measurement of the lease liability, initial direct costs and the initial estimate of the costs of dismantling, removing and restoring the underlying asset.
Right-of-use assets are measured using the cost model after initial recognition and are stated at cost less accumulated depreciation and accumulated impairment losses, and are included within the same line item in the consolidated statement of financial position as that within which the corresponding underlying assets would be presented if they were owned by the Group.
After initial recognition, the right-of-use assets are depreciated using the straight-line method over the estimated useful lives of the underlying assets if the lease transfers ownership of the underlying asset to the Group by the end of the lease term or when the cost of the right-of-use assets reflect that it is reasonably certain that the Group will exercise a purchase option; otherwise, the right-of-use assets are depreciated based on the straight-line method over the shorter of the lease term or the estimated useful lives of the right-of-use assets.
2) Lease liabilities
Lease liabilities are initially recognized at the present value of the lease payments that are not paid as of the lease commencement date. The lease payments are discounted using the interest rate implicit in the lease.
If that rate cannot be readily determined, the Group’s incremental borrowing rate is used. In general, the Group uses the incremental borrowing rate as the discount rate.
Lease liabilities are subsequently measured by increasing the carrying amounts to reflect interest on the lease liabilities and by reducing the carrying amounts to reflect lease payments made, and are included in the line item “other financial liabilities” in the consolidated statement of financial position.

For short-term leases or leases for which the underlying assets is low value, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease terms unless another systematic method is more representative of the Group’s benefits.

(8) INCOME TAXES
Income taxes are the sum of current taxes and deferred taxes.
Current taxes are measured at the amount that is expected to be paid to or refunded from the taxation authorities. In determining the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current taxes are recognized in profit or loss, except for taxes arising from items that are recognized directly in other comprehensive income or in equity and taxes arising from business combinations.
Deferred taxes are determined based on the temporary differences between the tax base for assets and liabilities and their carrying amount for accounting purposes at the reporting date. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. However, deferred tax assets or liabilities are not recorded for:

- temporary differences arising from the initial recognition of goodwill;
- temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of transaction, affects neither accounting profit nor taxable profit (tax loss);
- deductible temporary differences related to investments in subsidiaries and associates, and interests in joint arrangements to the extent that it is probable that the temporary differences will not reverse in the foreseeable future or it is not probable that future taxable profits will be available against which the temporary differences can be utilized; and
- taxable temporary differences related to investments in subsidiaries and associates, and interests in joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The deferred taxes are recognized in profit or loss, except for taxes arising from items that are recognized directly in other comprehensive income or in equity and taxes arising from business combinations.
Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

If it is probable that a tax authority will not accept uncertain tax treatments based on interpretation of relevant tax laws, the Group recognizes reasonably estimated amounts as assets or liabilities.

(9) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group tests goodwill (see (5) Goodwill) and intangible assets with indefinite useful lives (see (6) Intangible assets) for impairment at least annually, as well as whenever there is any indication of impairment.

At the reporting date, the Group determines whether there is any indication of impairment for non-financial assets other than inventories (see (10) Inventories), deferred tax assets (see (8) Income taxes), defined benefit asset (see (14) Employee benefits). Since goodwill that forms part of the carrying amount of equity-accounted investees is not separately recognized, it is not tested for impairment separately. Instead, the entire carrying amount of equity-accounted investees is assessed for any indication of impairment and is tested for impairment as a single asset.

If there is any indication that an asset may be impaired, or in cases where an impairment test is required to be performed annually, the recoverable amount of the asset is determined. In cases where the recoverable amount cannot be estimated for an individual asset, it is estimated for the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is measured at the higher of its fair value less costs of disposal and its value in use. Value in use is determined by discounting estimated future cash flows to their present value using a discount rate that reflects the time value of money and the risks specific to the asset.

An impairment loss is recognized in profit or loss for an asset or a cash-generating unit only where its recoverable amount is less than its carrying amount, and the carrying amount is reduced to the recoverable amount.

The Group assesses at the reporting date whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may have decreased or may no longer exist. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases where the recoverable amount exceeds the carrying amount, the impairment loss is reversed up to the lower of the recoverable amount determined and the carrying amount (net of accumulated depreciation or accumulated amortization) that would have been determined if no impairment loss had been recognized in prior years. The reversal of the impairment loss is immediately recognized in profit or loss.

(10) INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is determined primarily based on the periodic average method and includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(11) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, readily available deposits and short-term highly liquid investments with negligible risk of changes in value and maturities not exceeding three months at the time of purchase.

(12) ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

1) Assets held for sale

Assets or asset groups whose value is expected to be recovered through sale rather than through continuing use are classified as assets or disposal groups held for sale if it is highly probable that the assets or asset groups will be sold within one year, the assets or asset groups are available for immediate sale in their present condition, and the Group's management has made a commitment to sell the assets or asset groups. In such cases, the assets stop to be depreciated or amortized or equity-accounted investees stop to be applied for the equity method and are measured at the lower of their carrying amount and fair value less costs to sell.

2) Discontinued operations

The Group recognizes as a discontinued operation a component of the Group's business which has already been disposed of or classified as held for sale and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

The post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the disposal of the disposal groups constituting the discontinued operations are presented as profit from discontinued operations, separately from continuing operations, in the consolidated statement of profit or loss, and the disclosures for prior periods are re-presented on a consistent basis.

(13) EQUITY

1) Ordinary shares

For ordinary shares, their issue prices are recorded in share capital and share premium. Costs (net of tax) associated with the issue of ordinary shares are deducted from share capital and share premium.

2) Treasury shares

When treasury shares are acquired, the amount of the consideration paid, which includes associated costs (net of tax), is recognized as a deduction from equity.

When treasury shares are sold, any difference between the carrying amount and the consideration received at the time of sale is recognized as share premium.

3) Dividends
Dividend distributions to the shareholders of the Company are recognized as liabilities for the period in which, for year-end dividends, the Annual General Meeting of Shareholders approves the distribution and, for interim dividends, the Board of Directors approves the distribution.

(14) EMPLOYEE BENEFITS
1) Post-employment benefits
The Group has defined benefit-type and defined contribution-type pension plans and provides lump-sum severance payment plans, defined benefit corporate pension plans and employees' pension fund plans as defined benefit-type plans.
For each defined benefit plan, the Group determines the present value of its defined benefit obligations and the related current service cost and past service cost using the projected unit credit method. The discount rate applied is determined by reference to market yields on high-quality corporate bonds at the year-end. The net defined benefit liability (asset) is determined by deducting the fair value of any plan assets from the present value of the defined benefit obligations. Remeasurements of the net defined benefit asset or liability are recognized collectively in other comprehensive income and reclassified to retained earnings for the period during which they were incurred.
Retirement benefit costs for defined contribution-type plans are expensed for the period during which employees render services.

2) Termination benefits
The Group provides termination benefits when the Group terminates an employee's employment before the normal retirement date or an employee voluntarily retires in exchange for the benefits. Termination benefits are expensed when the Group commits to terminating the employment; provided that the Group has detailed official plans related to the termination of the employee's employment and can no longer withdraw the offer of the benefits.

3) Short-term employee benefits
Short-term employee benefits are expensed on an undiscounted basis when the related service is provided. Bonuses are recorded as liabilities for the amount estimated to be paid in accordance with the applicable plans when the Group has present legal or constructive obligations to pay as a result of past labor rendered by employees, and the obligations can be reliably estimated.

(15) PROVISIONS
Provisions are recognized when present legal or constructive obligations exist as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligations. Matters related to income taxes are set out in (8) Income taxes.
Explanation of the major provisions is as follows:
・Allowance for loss on plants reorganization
The Group has been working on the reorganization of plants aimed at streamlining manufacturing sites in Japan and overseas. Accordingly, the Group has determined and announced plans including the removal of property, plant and equipment at some of the sites, and has recorded a provision at a reasonably estimated cost of removal.
The timing of the payment depends on circumstances such as future business plans.
・Asset retirement obligations
For property, plant and equipment held by the Group, asset retirement obligations are recognized if the retirement of such property, plant and equipment is required by laws, regulations, contracts or anything equivalent thereto. Asset retirement obligations are measured by discounting the reasonably estimated amount of cash flows required for the retirement of the asset using a risk-free rate before tax that reflects the time value of money related to those cash flows.

(16) SHARE-BASED PAYMENTS
The Group has implemented a trust-type stock compensation called Board Incentive Plan Trust, a restricted stock compensation system, a performance-linked share-based remuneration plan (so-called "Performance Share Unit"), and a phantom stock plan mainly for officers.
For the Board Incentive Plan Trust and the restricted stock compensation system which are both equity-settled share-based payment plans, the consideration for services received is measured at the fair value of the shares at the grant date and is recognized as an expense over the vesting period (from the grant date to the vesting date) in the consolidated statement of profit or loss. The corresponding amount is recognized as an increase in equity in the consolidated statement of financial position.
For the Performance Share Unit, the portion which is an equity-settled share-based payment transaction is measured at the fair value of the shares to be granted in the future and is recognized as an expense over the vesting period with a corresponding increase in equity, whereas the portion which is a cash-settled share-based payment transaction is measured at the fair value of the services received and liabilities incurred and is recognized as an expense over the vesting period with a corresponding increase in liability. The fair value of the liability is re-measured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in the consolidated statement of profit or loss.
For the phantom stock plan which is a cash-settled share-based payment plan, the fair value of future cash payments is recognized as a liability and changes in fair value of the liability are recognized in the consolidated statement of profit or loss until the liability is settled.
In addition, the Group abolished the share option plan which was as an equity-settled share-based payment plan, but the share acquisition rights already granted remain. The fair value of the share options was estimated at the grant date and recognized as an expense over the vesting period in the consolidated statement of profit or loss with a corresponding increase in equity, considering the number of share options that are expected to be eventually vested. The fair value of the share options granted was calculated by using the Black-Scholes-Merton formula or other option pricing models, considering the terms and conditions of the options.

(17) REVENUE FROM CONTRACTS WITH CUSTOMERS
Revenue is recognized based on the following five-step approach:

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

If the Group executes sales transactions as an agent of the tax authority, consumption taxes, value added taxes, liquor taxes and others are excluded from consideration, taking into account laws and regulations of each country and the actual conditions of the transactions.

1) Japan Beer and Spirits Businesses, Japan Non-alcoholic Beverages Business, and Oceania Adult Beverages Business

The Group conducts sales of beer, whiskey, spirits, soft drinks and others in Japan Beer and Spirits Businesses, Japan Non-alcoholic Beverages Businesses, and Oceania Adult Beverages Business.

Revenue from such sales is recognized when merchandise and finished goods are delivered to customers since control over the merchandise and finished goods is transferred to the customers and performance obligations are satisfied at that point in time.

Revenue generated from sale of merchandise and finished goods is measured by deducting rebates and discounts based on sales volumes and amounts from consideration under sales contracts, and consideration which is expected to be refunded to customers is stated as refund liabilities. The refund liabilities are estimated by using the most likely amount method based on terms and conditions, past transactions and other factors.

Consideration under sales contracts of merchandise and finished goods is recovered mainly within a month or two from the delivery of the merchandise and finished goods to customers and includes no significant financing components.

2) Pharmaceuticals Business

The Group conducts sale of merchandise and finished goods and technology licensing to customers in relation to pharmaceuticals in the Pharmaceuticals Business.

If the consideration from contracts with customers includes a variable amount, the variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal of the cumulative amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(i) Revenue from sale of merchandise and finished goods

Revenue under sales contracts for merchandise and finished goods with customers is recognized when the merchandise and finished goods are delivered to the customers since control over the merchandise and finished goods is transferred to the customers and performance obligations are satisfied at that point in time.

Revenue generated from sale of merchandise and finished goods is measured by deducting rebates and discounts based on sales volumes or amounts from consideration under sales contracts, and consideration which is expected to be refunded to customers is stated as refund liabilities. The refund liabilities are estimated by using the most likely amount method based on terms and conditions, past transactions and other factors.

Consideration under sales contracts for merchandise and finished goods is received mainly within one year from the delivery of the merchandise and finished goods to customers and includes no significant financing components.

(ii) Licensing revenue

The Group obtains up-front income, milestone revenue and running royalty revenue as licensing revenue based on license agreements, such as granting third parties the right to develop, produce and sell developed products.

In some cases, the license agreements do not involve the provision of goods or services by the Group other than granting a license, while in other cases, the Group provides goods or services such as provision of manufacturing technology and pharmaceuticals in relation to development cooperation, correspondence of regulatory authority approval, and joint sales promotion.

When the Group does not provide significant goods or services other than granting a license, up-front income is recognized as revenue at the time of granting the license since all of the significant performance obligations are usually satisfied at this time. Milestone revenue, which is mainly received upon successful completion of development activities and regulatory approval, is recognized as revenue when it is highly probable that the milestones agreed between the relevant parties will be achieved, after assessing the probability of a significant reversal of revenue.

When the Group provides several goods or services including granting a license, the Group identifies one or more performance obligations, allocates transaction prices comprised of up-front income and milestone revenue to each of the performance obligations, records consideration received as contract liabilities, and recognizes revenue over a period of time as the performance obligations are satisfied. For license agreements in relation to development cooperation, the Group applies the input method as an appropriate method for measuring progress for each of the licensing agreements.

Running royalty revenue and sales achievement milestone income received when total pharmaceutical sales exceed a certain agreed amount correspond to a sales-based or usage-based royalty, and are measured based on the sales recorded by the contract counterparty. The Group recognizes revenue at the later of when the sale or usage occurs and when the performance obligations to which the sales-based or usage-based royalty has been allocated has been satisfied.

Consideration under license agreements is received mainly within one year from the time of granting the license and the time agreed upon in the agreement, such as the achievement of a specified milestone. Such contracts do not contain any significant financing components.

(18) FINANCE INCOME AND FINANCE COSTS

Finance income mainly comprises interest received, dividends received, foreign currency gain and changes in the fair value of financial assets measured at fair value through profit or loss. Interest received is recognized when it occurs using the effective interest method. Dividends received are recognized when the Group’s right to receive payment is established.

Finance costs mainly comprise interest paid, foreign currency loss and changes in the fair value of financial assets measured at fair value through profit or loss. Interest paid is recognized when it occurs using the effective interest method.

Foreign currency gain or loss is recorded on a net basis in finance income or finance costs.

(19) GOVERNMENT GRANTS
Government grants are recognized at fair value if there is reasonable assurance that the Group will comply with the conditions associated with the grants and they will be received.
When government grants are related to expense items, they are recognized as profit on a systematic basis over the periods in which the Group recognizes as an expense the related costs for which the grants are intended to compensate. Government grants related to assets are deducted from the cost of the assets.

(20) BORROWING COSTS
For assets that necessarily take a substantial period of time to get ready for their intended use or sale, borrowing costs that are directly attributable to the acquisition, construction or production of the assets are capitalized as part of the cost of those assets (see (4) Property, plant and equipment and (6) Intangible assets). Other borrowing costs are recognized as an expense in the period in which they are incurred.

(21) EARNINGS PER SHARE
Basic earnings per share is calculated by dividing profit attributable to ordinary shareholders of the parent by the weighted-average number of ordinary shares (after adjusting for treasury shares) outstanding during the period. Diluted earnings per share is calculated by adjusting the effects of all dilutive potential ordinary shares.

4. ACCOUNTING STANDARDS AND GUIDELINES ISSUED BUT NOT YET ADOPTED

Among new accounting standards and guidelines that have been issued or amended by the date of approval of the consolidated financial statements, the implications from adoption of amendments to IAS 21 ("Lack of Exchangeability") are currently being assessed and thus the impact on the Group's consolidated financial statements cannot yet be estimated. The impact from adoption of other new or amended standards is immaterial.

IFRS	Title of standard	Effective date (From the year beginning)	To be adopted by the Group from the year ending:	Outline of new standards and amendments
IAS 21	The Effects of Changes in Foreign Exchange Rates	January 1, 2025	December 31, 2025	Requirement to specify when a currency is exchangeable into another currency and when it is not, specify how an entity determines the exchange rate to apply when a currency is not exchangeable, and requires the disclosure of additional information when a currency is not exchangeable.

5. OPERATING SEGMENTS

(1) SUMMARY OF REPORTABLE SEGMENTS
The reportable segments of the Group are determined based on the operating segments which are constituent units of the Group whose separate financial information is readily available, and which are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating the business results. The Group has identified four reportable segments, namely, "Japan Beer and Spirits Businesses," "Japan Non-alcoholic Beverages Business," "Oceania Adult Beverages Business" and "Pharmaceuticals Business."
"Japan Beer and Spirits Businesses," for which Kirin Brewery Company, Limited oversees the operations, conducts production and sale of alcoholic beverages, such as beer, *happo-shu*, new genre, whiskey and spirits, in Japan.
"Japan Non-alcoholic Beverages Business," for which Kirin Beverage Company, Limited oversees the operations, conducts production and sale of soft drinks in Japan.
"Oceania Adult Beverages Business," for which Lion Pty Limited oversees the operations, conducts production and sale of beer, whiskey, spirits and other products in the Oceania region and other regions.
"Pharmaceuticals Business," for which Kyowa Kirin Co., Ltd. oversees the operations, conducts production and sale of pharmaceutical products.
Accounting policies for segment information are generally the same as those in the Company's consolidated financial statements.
Inter-segment revenue is based on actual market prices.

(2) INFORMATION ON REPORTABLE SEGMENTS

Information related to each reportable segment is set out below.

(¥ millions)

At and for the year ended December 31, 2022	Reportable segment: Japan Beer and Spirits	Reportable segment: Japan Non-alcoholic Beverages	Reportable segment: Oceania Adult Beverages	Reportable segment: Pharmaceu-ticals	Others (Note 1)	Adjustment (Note 2)	Consolidated
Revenue from unaffiliated customers	¥663,522	¥243,257	¥255,900	¥397,863	¥428,925	¥ –	¥1,989,468
Inter-segment revenue	1,976	2,513	91	507	74,819	(79,907)	–
Total revenue	665,498	245,770	255,991	398,371	503,744	(79,907)	1,989,468
Segment income (Note 3)	74,660	18,786	31,545	82,462	37,545	(53,838)	191,159
Other operating income							29,454
Other operating expenses							104,594
Finance income							10,978
Finance costs							6,478
Share of profit of equity-accounted investees							22,780
Gain on sale of equity-accounted investees							48,088
Profit before tax							191,387

(¥ millions)

	Reportable segment: Japan Beer and Spirits	Reportable segment: Japan Non-alcoholic Beverages	Reportable segment: Oceania Adult Beverages	Reportable segment: Pharmaceu-ticals	Others (Note 1)	Adjustment (Note 2)	Consolidated
Segment assets	¥432,140	¥133,184	¥546,729	¥880,281	¥885,775	¥(335,845)	¥2,542,263
Other items							
Depreciation and amortization	16,409	6,982	15,106	18,319	18,922	10,199	85,937
Impairment losses (excluding financial assets)	–	–	3,525	17,979	44,696	–	66,200
Gain on reversal of impairment losses	–	–	231	–	12,921	–	13,152
Equity-accounted investees	10,090	–	8,960	–	342,714	–	361,764
Capital expenditures	17,940	9,326	13,107	33,298	30,421	12,708	116,799

Notes:

1. “Others” mainly includes the Wine business in Japan, the Non-alcoholic Beverages business in North America, and the Bio-chemicals business.
2. Adjustments are as follows:
   (1) Adjustment in segment income mainly includes inter-segment eliminations and corporate expenses not attributable to any reportable segment. The expenses are mainly group administrative expenses incurred in the Company, a holding company, and administrative expenses relating to some reportable segments incurred in shared services companies.
   (2) Adjustment in segment assets includes inter-segment asset and liability eliminations and corporate assets not attributable to any reportable segment. The assets mainly consist of surplus funds (cash), long-term investments (equity instruments) and assets of the administrative department of the Company, a holding company, and shared services companies.
3. Segment income represents normalized operating profit which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue.

(¥ millions)

At and for the year ended December 31, 2023							
	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Japan Beer and Spirits	Japan Non-alcoholic Beverages	Oceania Adult Beverages	Pharmaceu-ticals			
Revenue from unaffiliated customers	**¥684,863**	**¥255,028**	**¥280,990**	**¥441,882**	**¥471,630**	**¥ –**	**¥2,134,393**
Inter-segment revenue	**2,148**	**2,771**	**86**	**351**	**75,840**	**(81,196)**	**–**
Total revenue	**687,010**	**257,799**	**281,077**	**442,233**	**547,470**	**(81,196)**	**2,134,393**
Segment income (Note 3)	**77,741**	**16,887**	**32,398**	**95,968**	**32,364**	**(53,863)**	**201,495**
						Other operating income	**28,835**
						Other operating expenses	**80,036**
						Finance income	**9,035**
						Finance costs	**10,523**
						Share of profit of equity-accounted investees	**32,773**
						Gain on sale of equity-accounted investees	**15,470**
						Profit before tax	**197,049**

(¥ millions)

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Japan Beer and Spirits	Japan Non-alcoholic Beverages	Oceania Adult Beverages	Pharmaceu-ticals			
Segment assets	**¥443,135**	**¥147,721**	**¥607,203**	**¥971,375**	**¥1,182,039**	**¥(481,888)**	**¥2,869,585**
Other items							
Depreciation and amortization	**17,817**	**7,073**	**14,836**	**20,938**	**17,244**	**9,318**	**87,227**
Impairment losses (excluding financial assets)	**–**	**–**	**22**	**10,843**	**19,122**	**–**	**29,987**
Gain on reversal of impairment losses	**–**	**–**	–	**64**	**–**	**–**	**64**
Equity-accounted investees	**10,487**	**–**	**1,252**	**12,357**	**346,624**	**–**	**370,720**
Capital expenditures	**17,864**	**10,398**	**15,970**	**33,273**	**31,958**	**10,283**	**119,745**

Notes:
1. “Others” mainly includes the Wine business in Japan, the Non-alcoholic Beverages business in North America, and the Bio-chemicals business.
2. Adjustments are as follows:
   (1) Adjustment in segment income mainly includes inter-segment eliminations and corporate expenses not attributable to any reportable segment. The expenses are mainly group administrative expenses incurred in the Company, a holding company, and administrative expenses relating to some reportable segments incurred in shared services companies.
   (2) Adjustment in segment assets includes inter-segment asset and liability eliminations and corporate assets not attributable to any reportable segment. The assets mainly consist of surplus funds (cash), long-term investments (equity instruments) and assets of the administrative department of the Company, a holding company, and shared services companies.
3. Segment income represents normalized operating profit which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue.

(3) GEOGRAPHIC INFORMATION

1) Revenue

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Japan	¥1,159,427	**¥1,183,300**
Oceania	184,343	**213,876**
America	459,346	**539,076**
Others	186,353	**198,140**
Total	1,989,468	**2,134,393**

Note: Revenue is classified by country or area based on customer location.

2) Non-current assets

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Japan	¥486,545	**¥482,720**
Oceania	300,413	**463,968**
America	202,612	**229,863**
Others	67,572	**118,904**
Total	1,057,142	**1,295,455**

Note: Non-current assets exclude financial instruments, deferred tax assets and defined benefit assets.

(4) MAJOR CUSTOMER

The unaffiliated customer which accounted for 10% or more of revenue on the consolidated statement of profit or loss was as follows:

(¥ millions)

	Related segment	Year ended December 31, 2022	**Year ended December 31, 2023**
Mitsubishi Shokuhin Co., Ltd.	Japan Beer and Spirits, Japan Non-alcoholic Beverages, and others	¥220,074	**¥230,872**

6. PROPERTY, PLANT AND EQUIPMENT

(1) RECONCILIATION OF CARRYING AMOUNT

Changes in carrying amounts, costs, accumulated depreciation and accumulated impairment losses of property, plant and equipment were as follows:

1) Carrying amount

(¥ millions)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance at January 1, 2022	¥202,700	¥163,794	¥49,451	¥80,527	¥37,387	¥533,859
Acquisitions	8,206	11,307	8,427	33	65,748	93,722
Acquisitions through business combinations	5,982	7,567	–	914	1,667	16,129
Transfer from construction in progress	14,256	26,017	7,352	2	(47,627)	–
Depreciation	(22,549)	(29,622)	(16,001)	(332)	–	(68,505)
Impairment losses	(14,123)	(13,070)	(2,987)	(2,372)	(1,586)	(34,137)
Reversal of impairment losses	209	2,850	–	32	–	3,090
Disposals	(1,738)	(353)	(463)	(1,171)	(120)	(3,845)
Transfer to assets held for sale	(215)	(2,899)	(75)	(32)	(456)	(3,677)
Foreign currency translation differences	8,965	9,383	666	3,883	1,094	23,992
Other	2,307	(999)	(268)	(1,014)	(11)	15
Balance at December 31, 2022	204,001	173,974	46,102	80,471	56,095	560,642
Acquisitions	**10,632**	**14,135**	**9,622**	**36**	**56,362**	**90,786**
Acquisitions through business combinations	**8,129**	**3,968**	**768**	**3,442**	**815**	**17,123**
Transfer from construction in progress	**25,708**	**35,297**	**8,676**	**1,403**	**(71,084)**	**–**
Depreciation	**(22,474)**	**(30,199)**	**(15,922)**	**(298)**	**–**	**(68,893)**
Impairment losses	**(5,999)**	**(10,302)**	**(1,424)**	**(98)**	**(510)**	**(18,332)**
Disposals	**(826)**	**(1,847)**	**(448)**	**(1,338)**	**(138)**	**(4,597)**
Foreign currency translation differences	**6,103**	**7,832**	**397**	**2,438**	**1,494**	**18,264**
Other	**(1,722)**	**(324)**	**35**	**(332)**	**277**	**(2,065)**
Balance at December 31, 2023	**223,553**	**192,534**	**47,807**	**85,723**	**43,311**	**592,928**

Depreciation of property, plant and equipment is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss, and gain or loss on disposals is included in other operating income and other operating expenses in the consolidated statement of profit or loss.

Impairment losses and reversal of impairment losses are explained in Note 9. Impairment of non-financial assets.

The above figures include the carrying amounts of right-of-use assets. Changes in the carrying amounts of right-of-use assets are explained in Note 18. Leases.

2) Cost

(¥ millions)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance at January 1, 2022	¥571,659	¥927,641	¥183,749	¥83,764	¥39,863	¥1,806,676
Balance at December 31, 2022	600,718	947,984	189,666	84,728	58,333	1,881,429
Balance at December 31, 2023	**641,170**	**985,789**	**197,516**	**91,633**	**45,834**	**1,961,942**

3) Accumulated depreciation and accumulated impairment losses

(¥ millions)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance at January 1, 2022	¥368,959	¥763,847	¥134,298	¥3,237	¥2,476	¥1,272,817
Balance at December 31, 2022	396,718	774,011	143,564	4,257	2,238	1,320,787
Balance at December 31, 2023	**417,617**	**793,255**	**149,709**	**5,910**	**2,523**	**1,369,014**

7. GOODWILL

(1) RECONCILIATION OF CARRYING AMOUNT

Changes in carrying amount, costs and accumulated impairment losses of goodwill were as follows:

1) Carrying amount

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Balance at January 1	¥ 264,225	**¥ 289,526**
Acquisitions through business combinations	25,119	**72,673**
Impairment losses	(12,874)	–
Transfer to assets held for sale	(1,726)	–
Foreign currency translation differences	14,782	**28,369**
Balance at December 31	289,526	**390,568**

Impairment losses are explained in Note 9. Impairment of non-financial assets.

2) Cost and accumulated impairment losses

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Cost	¥ 323,451	**¥ 403,442**
Accumulated impairment losses	33,925	**12,874**

8. INTANGIBLE ASSETS

(1) RECONCILIATION OF CARRYING AMOUNT

Changes in carrying amount, costs, accumulated amortization and accumulated impairment losses of intangible assets were as follows:

1) Carrying amount

(¥ millions)

	Brands	Marketing rights	Software	Software in progress	Other	Total
Balance at January 1, 2022	¥40,187	¥35,009	¥23,633	¥51,482	¥46,030	¥196,341
Acquisitions	11	40	1,131	8,578	11,735	21,495
Acquisitions through business combinations	13,810	–	35	–	–	13,845
Amortization	(19)	(6,412)	(10,580)	–	(422)	(17,433)
Impairment losses	–	–	(1,464)	(25)	(17,589)	(19,078)
Reversal of impairment losses	7,284	–	–	–	2,704	9,988
Disposals	(1)	(1)	(2,127)	(9)	(12)	(2,149)
Transfer to assets held for sale	(7,287)	(10)	(7)	–	(2,876)	(10,180)
Transfer to other account	–	–	52,642	(52,642)	–	–
Foreign currency translation differences	5,631	1,033	839	148	243	7,894
Other	–	207	(44)	74	(60)	177
Balance at December 31, 2022	**59,616**	**29,866**	**64,058**	**7,607**	**39,753**	**200,900**
Acquisitions	**65**	**4,386**	**769**	**15,044**	**8,695**	**28,959**
Acquisitions through business combinations	**64,162**	**–**	**971**	**252**	**28,935**	**94,320**
Amortization	**(25)**	**(5,654)**	**(11,551)**	**–**	**(1,104)**	**(18,334)**
Impairment losses	**–**	**(1,240)**	**(682)**	**(146)**	**(9,567)**	**(11,636)**
Disposals	**(1)**	**(1)**	**(267)**	**(71)**	**(5)**	**(346)**
Transfer to other account	**–**	**9,825**	**11,073**	**(11,073)**	**(9,825)**	**–**
Foreign currency translation differences	**5,972**	**1,296**	**1,175**	**35**	**1,109**	**9,587**
Other	**(2)**	**59**	**41**	**(9)**	**0**	**89**
Balance at December 31, 2023	**129,787**	**38,537**	**65,586**	**11,638**	**57,991**	**303,540**

Amortization of intangible assets is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss, and gain or loss on disposals is included in other operating income and other operating expenses in the consolidated statement of profit or loss.

Impairment losses and reversal of impairment losses are explained in Note 9. Impairment of non-financial assets.

2) Cost

(¥ millions)

	Brands	Marketing rights	Software	Software in progress	Other	Total
Balance at January 1, 2022	¥69,251	¥120,644	¥87,288	¥51,482	¥86,197	¥414,863
Balance at December 31, 2022	68,508	118,675	136,929	7,631	77,715	409,458
Balance at December 31, 2023	**138,997**	**140,628**	**146,814**	**11,809**	**87,699**	**525,947**

3) Accumulated amortization and accumulated impairment losses

(¥ millions)

	Brands	Marketing rights	Software	Software in progress	Other	Total
Balance at January 1, 2022	¥29,065	¥85,635	¥63,655	¥–	¥40,167	¥218,522
Balance at December 31, 2022	8,891	88,810	72,871	25	37,962	208,559
Balance at December 31, 2023	**9,210**	**102,091**	**81,228**	**171**	**29,707**	**222,407**

(2) RESEARCH AND DEVELOPMENT EXPENSES AND SOFTWARE DEVELOPMENT EXPENSES

Research and development expenses of ¥74,289 million for the year ended December 31, 2022 and ¥84,920 million for the year ended December 31, 2023 were recorded in selling, general and administrative expenses in the consolidated statement of profit or loss. Software development expenses of ¥7,096 million for the year ended December 31, 2022 and ¥286 million for the year ended December 31, 2023 were recorded in other operating expenses in the consolidated statement of profit or loss.

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

(1) CASH-GENERATING UNITS

The Group considers each Group company's business, or the unit for making investment decisions, as a cash-generating unit. Goodwill is allocated to cash-generating units or groups of cash-generating units based on the monitoring units for internal management purposes. For idle properties, each property is considered to constitute a cash-generating unit. Headquarters and welfare facilities are classified as corporate assets because they do not generate cash inflows independent from other assets or group of assets but contribute to cash flow generation of other cash-generating units.

(2) IMPAIRMENT LOSSES

Year ended December 31, 2022

Impairment losses by segment consisted of the following:

(¥ millions)

Segments	Impairment losses	Types of major assets
Japan Beer and Spirits	¥ –	
Japan Non-alcoholic Beverages	–	
Oceania Adult Beverages	3,525	Buildings and structures, Machinery, equipment and vehicles, Software
Pharmaceuticals	17,979	Construction in progress, Software in progress, Other intangible assets
Other	44,696	Buildings and structures, Machinery, equipment and vehicles, Tools, fixtures and fittings, Land, Construction in process, Goodwill, Software, Software in process, Other intangible assets
Total	66,200	

In the Pharmaceuticals Business, an impairment loss of ¥14,330 million was recorded for intangible assets (in-process research and development expenses) due to the decision to discontinue co-development of Zandelisib (Code name: ME-401) outside Japan. The recoverable amount was measured at value in use, which was determined to be zero.

Other businesses include the Bio-chemicals business. In light of a decline in profitability due to the impact of an increase in raw material and fuel prices globally caused by the COVID-19 pandemic and the emergence of geopolitical risks, an impairment test was performed for certain business assets related to the Bio-chemicals business. As a result, ¥42,957 million of impairment losses for non-current assets of the Bio-chemicals business were recognized for the year ended December 31, 2022. The impairment losses of ¥42,957 million primarily consisted of ¥12,874 million in goodwill, ¥11,351 million in buildings and structures, and ¥11,305 million in machinery, equipment and vehicles.
The recoverable amount was measured at value in use which was calculated by discounting the future cash flows over five years to present value.

The future cash flows were estimated based on the business plan prepared reflecting past experience and external information and approved by management. A discount rate of 6.1% was used based on the pre-tax weighted-average cost of capital of the cash-generating unit.
The business plan on which the calculations were based included significant assumptions regarding the growth in the market size of the core products and new products, increase in market share and other factors.

These impairment losses were recorded in other operating expenses in the consolidated statement of profit or loss, since they are not considered to be linked to any functions, such as expenses covering overall business activities.

Year ended December 31, 2023
Impairment losses by segment consisted of the following:

(¥ millions)

Segments	Impairment losses	Types of major assets
Japan Beer and Spirits	¥ –	
Japan Non-alcoholic Beverages	–	
Oceania Adult Beverages	**22**	Machinery, equipment and vehicles
Pharmaceuticals	**10,843**	Buildings and structures, Marketing rights, Other intangible assets
Other	**19,122**	Buildings and structures, Machinery, equipment and vehicles, Tools, fixtures and fittings, Land, Construction in process, Software, Software in process, Other intangible assets
Total	**29,987**	

In the Pharmaceuticals Business, an impairment loss of ¥8,275 million was recorded for intangible assets (in-process research and development expenses) due to the decision to discontinue development of bardoxolone methyl (Code name: RTA 402). The recoverable amount was measured at value in use, which was determined to be zero.

Other businesses include the Bio-chemicals business. In light of an increase in utility costs, intensifying competitive environment, and uncertainty for the timing of obtaining certification around the world for new materials, the Group determined there is indication of impairment and an impairment test was performed for business assets related to the Bio-chemicals business. As a result, ¥15,670 million of impairment losses for non-current assets of the Bio-chemicals business were recognized for the year ended December 31, 2023. The impairment losses of ¥15,670 million primarily consisted of ¥8,644 million in machinery, equipment and vehicles and ¥4,162 million in buildings and structures.
With the strategic review of the Bio-chemicals business and the launch of human milk oligosaccharides ("HMOs") in the year ended December 31, 2023, the Group has identified the HMO business as a new cash-generating unit. Accordingly, from the year ended December 31, 2023, the cash-generating units for business assets related to the Bio-chemicals business have been changed from the fine chemicals business ("FC business") and the synthetic API business to the FC business, the HMO business, and the synthetic API business.
The recoverable amount related to the cash-generating units of the FC business and the HMO business were measured at value in use which was calculated by discounting the future cash flows over the remaining useful life of the assets to present value. The future cash flows were estimated based on the business plan prepared reflecting past experience and external information and approved by management. The discount rate is based on the pre-tax weighted-average cost of capital of the cash-generating unit, which is 5.1% for the FC business and 8.8% for the HMO business. No impairment test was performed for the synthetic API business as the business has been continuously generating operating profit.

These impairment losses were recorded in other operating expenses in the consolidated statement of profit or loss, since they are not considered to be linked to any functions, such as expenses covering overall business activities.

(3) REVERSAL OF IMPAIRMENT LOSSES
Since there was an indication from the share transfer process that the amount of impairment losses recognized in prior years related to the Alcoholic Beverages business in Myanmar had decreased, the recoverable amount of the Alcoholic Beverages business in Myanmar was estimated at December 31, 2022. As a result, a gain of ¥12,921 million on reversal of impairment losses for non-current assets (excluding goodwill) of the Alcoholic Beverages business in Myanmar was recorded in other operating income for the year ended December 31, 2022.
The recoverable amount was measured at fair value less costs of disposal which was calculated based on the share transfer price mutually agreed in the transfer process. The fair value measurement is categorized as Level 3 in the fair value hierarchy considering the significant inputs in the valuation techniques used.

(4) IMPAIRMENT TEST FOR CASH-GENERATING UNITS (GROUPS OF UNITS) CONTAINING GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Major goodwill and intangible assets with indefinite useful lives that were allocated to the Group's cash-generating units or groups of cash-generating units for impairment testing were as follows (after recognition of impairment losses):

(¥ millions)

	At December 31, 2022		**At December 31, 2023**	
	Goodwill	Brands	Goodwill	Brands
Oceania Adult Beverages Business	¥192,509	¥52,984	**¥213,465**	**¥60,728**
Pharmaceuticals Business	93,157	–	**97,847**	**–**
Other	–	–	**75,321**	**61,944**

The Group records as assets the brands held by Lion Pty Limited in the Oceania Adult Beverages Business arising from business combinations. The brands that Lion Pty Limited holds are classified as intangible assets with indefinite useful lives as they are expected to bring economic benefits to the Group over the longer term mainly in the Oceania area.
Balances related to Blackmores Limited, which was acquired during the year ended December 31, 2023, are recoded as "Other". For details, please refer to Note 38. Business combinations.

Impairment tests for major goodwill and intangible assets with indefinite useful lives are performed as follows:

1) Oceania Adult Beverages Business
The recoverable amount is measured at fair value less costs of disposal.
Fair value less costs of disposal is determined based on the market values related to businesses of peer companies (the market approach). Calculation of fair value entails management's judgment and assumptions on the future plans for the businesses that are subject to the calculation, and such judgment and assumptions are based on certain premises that are determined to be reasonable at the time of calculation. The fair value measurement is categorized as Level 3 in the fair value hierarchy considering the significant inputs in the valuation techniques used.
As the recoverable amount sufficiently exceeded the carrying amount of cash-generating units, the Company considers that the recoverable amount is not likely to fall below the carrying amount even when the assumptions for calculating recoverable amounts such as the market values related to businesses of peer companies change within a reasonable range.

2) Pharmaceuticals Business
The recoverable amount is measured at value in use.
Value in use was calculated by discounting the future cash flows over three years to present value. The future cash flows were estimated based on the business plan prepared reflecting past experience and external information and approved by management. Pre-tax discount rate is determined at 10.6% based on weighted-average capital cost of cash-generating units.
As the recoverable amount sufficiently exceeded the carrying amount of cash-generating units, the Company considers that the recoverable amount is not likely to fall below the carrying amount even when the assumptions such as future cash flows and discount rates change within a reasonable range.

10. OTHER FINANCIAL ASSETS

(1) OTHER FINANCIAL ASSETS CONSISTED OF THE FOLLOWING:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Shares	¥ 55,935	**¥ 60,896**
Derivative assets	1,511	**2,202**
Bonds	28,510	**23,511**
Other	27,788	**29,612**
Allowance for doubtful accounts	(1,989)	**(1,932)**
Total	111,756	**114,290**
Non-current assets	103,380	**105,346**
Current assets	8,376	**8,944**

Notes:
1. The amounts less allowance for doubtful accounts are presented in the consolidated statement of financial position.
2. Shares are classified as equity instruments measured at fair value through other comprehensive income, derivative assets are classified as financial assets measured at fair value through profit or loss, and “Other” is classified mainly as financial assets measured at amortized cost.

(2) THE FAIR VALUES OF MARKETABLE AND NON-MARKETABLE EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME WERE AS SET OUT IN THE TABLE BELOW. THESE EQUITY INSTRUMENTS ARE MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AS THE GROUP HOLDS THEM FOR THE PURPOSE OF BUILDING, MAINTAINING AND STRENGTHENING TRANSACTIONAL AND COLLABORATIVE RELATIONSHIPS.

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Marketable	¥ 32,864	**¥ 33,105**
Non-marketable	23,071	**27,791**
Total	55,935	**60,896**

Of the above, fair values of major marketable shares were as follows:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
SKYLARK HOLDINGS CO., LTD.	¥ 5,090	**¥ 6,883**
Central Japan Railway Company	4,435	**4,905**
HIDAY HIDAKA Corp.	2,136	**3,144**
Ardelyx, Inc.	1,087	**2,506**
Chimney Co., Ltd.	1,139	**1,451**
ROYAL HOLDINGS Co., Ltd.	1,188	**1,322**
Imperial Hotel, Ltd.	1,300	**1,283**
DAISYO CORPORATION	1,043	**1,235**
Kisoji Co., Ltd.	738	**903**
RINGER HUT CO., LTD.	732	**784**

Non-marketable shares mainly consisted of investments in customers and counterparties in Japan. The total fair value of the investments in Japan at December 31, 2022 and 2023 was ¥22,046 million and ¥26,338 million, respectively.

(3) THE GROUP SELLS AND DERECOGNIZES EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME TO MAKE EFFICIENT AND EFFECTIVE USE OF THE ASSETS IT HOLDS. FAIR VALUES AT THE TIME OF SALES IN EACH YEAR AND ACCUMULATED PROFIT OR LOSS RECOGNIZED IN OTHER COMPREHENSIVE INCOME IN EQUITY WERE AS FOLLOWS:

(¥ millions)

Year ended December 31, 2022		**Year ended December 31, 2023**	
Fair value	Accumulated profit or loss recognized in other comprehensive income in equity (Note)	Fair value	Accumulated profit or loss recognized in other comprehensive income in equity (Note)
¥7,369	¥2,565	**¥7,989**	**¥5,055**

Note: Accumulated profit or loss recognized in other comprehensive income in equity was transferred to retained earnings when the equity instruments were derecognized.

(4) PLEDGED ASSETS

The balances of pledged assets were as follows:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Other financial assets (current assets) (Note)	¥ 300	**¥ 300**
Total	300	**300**

Note: The other financial assets (current assets) were pledged as collateral in order to utilize the deferred payment system under the Japanese Customs Act and Consumption Tax Act.

11. INCOME TAX

(1) DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Deferred tax assets and deferred tax liabilities in the consolidated statement of financial position were as follows:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Deferred tax assets	¥111,330	**¥109,322**
Deferred tax liabilities	13,564	**38,871**
Net	97,766	**70,451**

(2) CHANGES IN THE BALANCE OF DEFERRED TAX

Changes in the balance of deferred tax were as follows:

Year ended December 31, 2022

(¥ millions)

	Balance at January 1 (net)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other (Note 1)	Balance at December 31 (net)
Defined benefit asset or liability	¥18,324	¥171	¥(2,048)	¥38	¥16,486
Accrued expenses	13,690	1,307	–	475	15,472
Inventories	24,383	(439)	–	1,837	25,781
Unused tax losses	12,818	(10,927)	–	(54)	1,837
Property, plant and equipment and intangible assets	(9,177)	2,774	–	(3,693)	(10,096)
Fair value reserve on equity instruments measured at fair value through other comprehensive income	(6,954)	–	(511)	1,403	(6,062)
Other	45,665	7,115	696	873	54,348
Total	98,748	1	(1,864)	880	97,766

Note 1: “Other” includes foreign currency translation differences on foreign operations.

Year ended December 31, 2023

(¥ millions)

	Balance at January 1 (net)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Acquisitions through business combinations	Other (Note 1)	Balance at December 31 (net)
Defined benefit asset or liability	**¥16,486**	**¥(1,552)**	**¥(2,766)**	**¥34**	**¥(26)**	**¥12,176**
Accrued expenses	**15,472**	**4,970**	**–**	**737**	**609**	**21,788**
Inventories	**25,781**	**(1,645)**	**–**	**497**	**450**	**25,084**
Unused tax losses	**1,837**	**3,811**	**–**	**50**	**1,591**	**7,289**
Property, plant and equipment and intangible assets	**(10,096)**	**(7,958)**	**–**	**(26,401)**	**2,961**	**(41,494)**
Fair value reserve on equity instruments measured at fair value through other comprehensive income	**(6,062)**	**–**	**(3,449)**	**–**	**2,048**	**(7,463)**
Other	**54,348**	**(22)**	**513**	**1,372**	**(3,140)**	**53,071**
Total	**97,766**	**(2,395)**	**(5,702)**	**(23,711)**	**4,493**	**70,451**

Note 1: “Other” includes foreign currency translation differences on foreign operations.

In recognizing deferred tax assets, the Group takes into account the possibility that future taxable profits will be available against which part or all of deductible temporary differences and unused tax losses can be utilized. In assessing the recoverability of deferred tax assets, the Group takes into account the planned reversal of deferred tax liabilities, estimated future taxable profits and tax planning. The Group considers that recognized deferred tax assets are likely to be recovered based on the past taxable profit level and estimated future taxable profits for the period when deferred tax assets are deductible.

(3) UNRECOGNIZED DEFERRED TAX LIABILITIES

Deferred tax liabilities related to investments in subsidiaries and associates and interests in joint arrangements are not recognized when the Group can control the timing of reversal of the related taxable temporary differences and it is not probable that they will reverse in the foreseeable future. The total amount of temporary differences related to investments in subsidiaries and associates and interests in joint arrangements at December 31, 2022 and 2023 was ¥520,111 million and ¥632,520 million, respectively.

(4) UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets are not recognized in respect of the following items as it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Deductible temporary differences	¥162,237	**¥153,718**
Unused tax losses	21,243	**112,408**

Unused tax losses for which deferred tax assets were not recognized expire as follows:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
1st year	¥ 28	**¥ 57**
2nd year	51	**26**
3rd year	14	**6,191**
4th year	6,774	**1,021**
5th year onwards	10,245	**10,945**
With no expiration	4,131	**94,168**
Total	21,243	**112,408**

(5) INCOME TAX EXPENSE

Income tax expense was as follows:

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Current tax expense	¥ 47,617	**¥ 44,215**
Deferred tax expense	(1)	**2,395**
Income tax expense	47,615	**46,611**

(6) RECONCILIATION OF EFFECTIVE TAX RATE

The Group is mainly subject to a national corporate tax, an inhabitant tax and enterprise tax, based on which the statutory tax rate is calculated at 30.6% for the years ended December 31, 2022 and 2023. For foreign subsidiaries, local corporate and other tax rates have been applied. Reconciliation of the statutory tax rate and the average effective tax rate was as follows:

(In percent)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Statutory tax rate	30.6%	**30.6%**
(Adjustments)		
Tax effect of income and expenses not taxable and deductible for tax purposes	0.2	**2.4**
Equity in earnings of associates	(3.6)	**(5.1)**
Changes in unrecognized deferred tax assets	2.9	**(2.8)**
Difference in applicable tax rates between the Company and its subsidiaries	(3.4)	**(0.6)**
Tax credits	(2.7)	**(3.0)**
Retained earnings of subsidiaries and affiliates for which tax effect was recognized	0.6	**0.3**
Impairment of goodwill	2.1	–
Other	(1.7)	**1.9**
Average effective tax rate	24.9	**23.7**

12. INVENTORIES

Inventories consisted of the following:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Merchandise and finished goods	¥ 199,878	**¥ 228,717**
Work in process	32,448	**33,185**
Raw materials and supplies	57,845	**69,081**
Total	290,171	**330,984**
Of which, inventories held for sale over 12 months	38,709	**48,493**

Loss on devaluation of inventories which was recognized as an expense was ¥10,845 million for the year ended December 31, 2022 and ¥7,609 million for the year ended December 31, 2023.
These write-downs are included in cost of sales in the consolidated statement of profit or loss.

13. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Notes and accounts receivable, trade (trade receivables)	¥ 390,734	**¥ 425,308**
Accrued accounts receivable	19,900	**21,167**
Allowance for doubtful accounts	(1,465)	**(1,535)**
Total	409,168	**444,940**

Notes:
1. The amounts less allowance for doubtful accounts are presented in the consolidated statement of financial position.
2. Trade and other receivables are classified as financial assets measured at amortized cost.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2022 and 2023 consisted of cash and time deposits (except for fixed term deposits over three months), and the amount of cash and cash equivalents in the consolidated statement of financial position was the same as the amount of cash and cash equivalents in the consolidated statement of cash flows. Cash and cash equivalents are classified as financial assets measured at amortized cost.

Kirin Holdings Singapore Pte, Ltd., the Company's consolidated subsidiary, is subject to certain restrictions on the use of part of cash and cash equivalents held by the company, partly due to restrictions on deposit withdrawals based on a notice issued by the Central Bank of Myanmar. Cash and cash equivalents at December 31, 2023 include ¥23,190 million of cash and cash equivalents held by Kirin Holdings Singapore Pte, Ltd. which are subject to certain restrictions on their use.

15. ASSETS HELD FOR SALE AND DIRECTLY ASSOCIATED LIABILITIES

Assets held for sale and liabilities directly associated with assets held for sale consisted of the following:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Assets held for sale		
Property, plant and equipment	¥ 3,677	**¥ –**
Goodwill	1,726	–
Intangible assets	10,180	–
Equity-accounted investees	–	**4,004**
Inventories	5,230	–
Trade and other receivables	1,255	–
Other financial assets (current)	948	–
Other current assets	1,379	–
Cash and cash equivalents	25,484	–
Other	238	–
Total	50,117	**4,004**
Liabilities directly associated with assets held for sale		
Deferred tax liabilities	1,603	–
Trade and other payables	1,743	–
Other financial liabilities (current)	1,890	–
Other current liabilities	2,309	–
Other	571	–
Total	8,116	–

At December 31, 2022

Assets held for sale and liabilities directly associated with assets held for sale mainly consisted of the assets and liabilities of the subsidiaries in the Alcoholic Beverages business in Myanmar. The Company classified these assets and liabilities as assets held for sale and liabilities directly associated with assets held for sale at December 31, 2022 because of an increased likelihood of transferring the related shares.

Reserves related to assets held for sale stood at minus ¥19,393 million at December 31, 2022. Cash and cash equivalents included ¥18,092 million, which was subject to certain restrictions on its use due to withdrawal limits notified by the Central Bank of Myanmar.

The transfer of the shares of the consolidated subsidiaries in the Alcoholic Beverages business in Myanmar was completed on January 23, 2023.

At December 31, 2023

Descriptions have been omitted because the amounts are immaterial.

16. CAPITAL AND RESERVES

(1) SHARE CAPITAL AND SHARE PREMIUM

Changes in the number of shares issued and the number of shares authorized were as follows:

(Thousands of shares)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Issued shares at January 1	914,000	**914,000**
Changes	–	**–**
Issued shares at December 31 —fully paid	914,000	**914,000**
Authorized shares at December 31	1,732,026	**1,732,026**

All of the shares issued by the Company are no-par ordinary shares without any limitation on the rights of the shares.

Regarding share premium and retained earnings, the Japanese Companies Act prescribes that until the total amount of capital reserve in share premium and legal earnings reserve included in retained earnings reaches 25% of share capital, 10% of any appropriation of surplus to shareholders from retained earnings is required to be set aside as additional paid-in capital or legal earnings reserve in each year.
The distributable amount under the Japanese Companies Act is calculated based on share premium and retained earnings as presented in the Company's accounting books in accordance with generally accepted accounting principles in Japan. Paid-in capital and legal earnings reserve are deducted from the distributable amount.

(2) TREASURY SHARES

Changes in the number of treasury shares were as follows:

(Thousands of shares)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Treasury shares at January 1	80,414	**104,172**
Changes	23,757	**(45)**
Treasury shares at December 31	104,172	**104,126**

Treasury shares of the Company comprise the cost of shares in the Company that the Group holds.
Changes in treasury shares for the year ended December 31, 2022 consisted of the following:
・Acquisition of treasury shares: 23,715 thousand shares
・Acquisition of less-than-one unit shares: 55 thousand shares
・Sale of less-than-one unit shares: (1) thousand shares
・Disposal of shares held in the Board Incentive Plan Trust: (12) thousand shares

Treasury shares at December 31, 2022 include 1,966 thousand shares held in the Board Incentive Plan Trust.

Changes in treasury shares for the year ended December 31, 2023 consisted of the following:
・Acquisition of less-than-one unit shares: 10 thousand shares
・Sale of less-than-one unit shares: (1) thousand shares
・Disposal of shares held in the Board Incentive Plan Trust: (55) thousand shares

Treasury shares at December 31, 2023 include 1,911 thousand shares held in the Board Incentive Plan Trust.

(3) DETAILS AND PURPOSE OF RESERVES

1) Foreign currency translation differences on foreign operations
Foreign currency translation differences on foreign operations comprise foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

2) Cash flow hedges
Cash flow hedges comprise the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

3) Net change in equity instruments measured at fair value through other comprehensive income
Net change in equity instruments measured at fair value through other comprehensive income comprises net unrealized gains or losses on the fair value of equity instruments measured at fair value through other comprehensive income.

4) Remeasurements of defined benefit plans
Remeasurements of defined benefit plans comprise net change of actuarial gains and losses, the return on plan assets (excluding the amount included in interest income) and the effect of asset ceiling (excluding the amount included in interest income). Actuarial gains and losses result from adjustments based on performance related to defined benefit obligations (the difference between actuarial assumptions at the beginning of the year and the result of performance) and the effect of changes in actuarial assumptions. They are recognized in other comprehensive income as incurred and immediately transferred from reserves to retained earnings.

(4) DIVIDENDS

Dividend payments were as follows:

Resolution	Type of shares	Total amount of dividend (¥ millions) (Note)	Dividend per share (Yen)	Record date	Effective date
March 30, 2022 Ordinary General Meeting of Shareholders	Ordinary shares	¥27,104	¥32.50	December 31, 2021	March 31, 2022
August 8, 2022 Board of Directors' Meeting	Ordinary shares	26,751	32.50	June 30, 2022	September 5, 2022
March 30, 2023 Ordinary General Meeting of Shareholders	Ordinary shares	29,630	36.50	December 31, 2022	March 31, 2023
August 8, 2023 Board of Directors' Meeting	Ordinary shares	28,007	34.50	June 30, 2023	September 5, 2023

Note: The total amount of dividend includes dividends on shares held in the Board Incentive Plan Trust, which amount to ¥13 million for the dividend resolved by the Ordinary General Meeting of Shareholders on March 30, 2022, ¥64 million for the dividend resolved by the Board of Directors' Meeting on August 8, 2022, ¥72 million for the dividend resolved by the Ordinary General Meeting of Shareholders on March 30, 2023, and ¥66 million for the dividend resolved by the Board of Directors' Meeting on August 8, 2023.

Dividends for which the record date is attributable to, but to be effective after, the year are as follows:

Resolution	Type of shares	Total amount of dividend (¥ millions) (Note)	Dividend per share (Yen)	Record date	Effective date
March 28, 2024 Ordinary General Meeting of Shareholders	Ordinary shares	¥29,630	¥36.50	December 31, 2023	March 29, 2024

Note: The total amount of dividend includes dividends of ¥70 million on shares held in the Board Incentive Plan Trust.

17. BONDS AND BORROWINGS (INCLUDING OTHER FINANCIAL LIABILITIES)

Details of financial liabilities

Bonds and borrowings and other financial liabilities consisted of the following:

	At December 31, 2022 (¥ millions)	**At December 31, 2023 (¥ millions)**	Average interest rate (%) (Note 3)	Maturity
Bonds (maturities of over one year) (Note 4)	¥204,415	**¥267,216**	0.36	February 28, 2025 to September 5, 2039
Bonds (maturities of one year or less) (Note 4)	54,962	**29,981**	0.17	September 5, 2024
Long-term borrowings (maturities of over one year)	204,246	**288,509**	0.50	February 25, 2025 to January 18, 2033
Long-term borrowings (maturities of one year or less)	38,991	**69,991**	0.17	February 26, 2024 to December 6, 2024
Short-term borrowings	2,506	**701**	5.17	–
Commercial paper	18,000	**–**	0.00	–
Deposits received (Note 2)	44,886	**482**	1.09	–
Accrued expenses	28,757	**29,858**	–	–
Derivative liabilities (Note 1)	3,327	**4,875**	–	–
Lease liabilities	81,900	**76,682**	–	–
Other	30,615	**32,737**	–	–
Total	712,607	**801,031**	–	–
Non-current liabilities	538,324	**638,638**	–	–
Current liabilities	174,283	**162,393**	–	–

Notes:
1. Derivative liabilities are classified as financial liabilities measured at fair value, and financial liabilities other than derivative liabilities and lease liabilities are classified as financial liabilities measured at amortized cost.
2. A maturity has not been set for these deposits received as they have been pledged as cash collateral.
3. Average interest rates are determined based on average balances for the year.
4. The terms and conditions of bond issuance are summarized as follows:

Company name	Series	Issue date	At December 31, 2022 (¥ millions)	**At December 31, 2023 (¥ millions)**	Interest rate (%)	Maturity
The Company	The Company 10th series of unsecured bonds	March 2, 2015	¥ 14,982	**¥ 14,990**	0.603	February 28, 2025
The Company	The Company 11th series of unsecured bonds	December 6, 2018	24,977	**–**	–	December 6, 2023
The Company	The Company 12th series of unsecured bonds	September 5, 2019	29,955	**29,981**	0.080	September 5, 2024
The Company	The Company 13th series of unsecured bonds	September 5, 2019	29,903	**29,918**	0.230	September 5, 2029
The Company	The Company 14th series of unsecured bonds	September 5, 2019	9,943	**9,946**	0.510	September 5, 2039
The Company	The Company 15th series of unsecured bonds	June 4, 2020	29,984	**–**	–	June 2, 2023
The Company	The Company 16th series of unsecured bonds	June 4, 2020	9,977	**9,986**	0.180	June 4, 2025
The Company	The Company 17th series of unsecured bonds	June 4, 2020	9,960	**9,965**	0.370	June 4, 2030
The Company	The Company 18th series of unsecured bonds	November 27, 2020	9,969	**9,980**	0.110	November 27, 2025
The Company	The Company 19th series of unsecured bonds	June 3, 2021	39,897	**39,927**	0.090	June 3, 2026
The Company	The Company 20th series of unsecured bonds	June 3, 2021	29,910	**29,927**	0.180	June 2, 2028
The Company	The Company 21st series of unsecured bonds	June 7, 2022	19,919	**19,938**	0.290	June 7, 2027
The Company	The Company 22nd series of unsecured bonds	October 26, 2023	–	**39,859**	0.673	October 26, 2028
The Company	The Company 23rd series of unsecured bonds	October 26, 2023	–	**19,919**	0.996	October 25, 2030
The Company	The Company 24th series of unsecured bonds	October 26, 2023	–	**32,861**	1.318	October 26, 2033
Total			259,377	**297,197**	–	–

18. LEASES

(1) LEASING ACTIVITIES

The Group has entered into leases mainly for real estate of business offices and warehouses.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are mainly included in real estate leases for business offices and warehouses, many of which are options to extend the lease over one year or the same period as the original contract or options to terminate early the lease upon a six-month written notice to the counterparty. These options are used by the lessee as necessary to utilize real estate for business.

Some of the leases within the Group contain variable payment terms for warehouse fees that are linked to the volume of inventories or real estate rents that are linked to sales generated from the store. Variable payment terms are used in order to link rental payments to real estate cash flows and minimize fixed costs.

(2) RIGHT-OF-USE ASSETS

Carrying amounts and depreciation and amortization of right-of-use assets consisted of the following:

(¥ millions)

	Property, plant and equipment				Intangible assets	
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Software	Total
Balance at January 1, 2022	¥58,045	¥9,187	¥8,665	¥7,344	¥2,111	¥85,353
Acquisitions	6,388	3,093	2,270	7	91	11,849
Depreciation and amortization	(13,108)	(2,076)	(3,321)	(332)	(833)	(19,671)
Impairment losses	(2,181)	(458)	–	(73)	–	(2,711)
Transfer to assets held for sale	(18)	–	–	(32)	–	(50)
Other	3,541	(672)	(39)	598	(7)	3,421
Balance at December 31, 2022	**52,667**	**9,075**	**7,574**	**7,513**	**1,362**	**78,191**
Acquisitions	**5,755**	**1,607**	**4,412**	**–**	**269**	**12,043**
Acquisitions through business combinations	**1,869**	**149**	**217**	**–**	**–**	**2,235**
Depreciation and amortization	**(12,392)**	**(2,159)**	**(4,067)**	**(298)**	**(749)**	**(19,666)**
Impairment losses	**–**	**–**	**(5)**	**–**	**–**	**(5)**
Other	**276**	**(336)**	**7**	**305**	**–**	**253**
Balance at December 31, 2023	**48,176**	**8,335**	**8,138**	**7,520**	**882**	**73,050**

(3) LEASE LIABILITIES

Lease liabilities by maturity were as follows:

At December 31, 2022

(¥ millions)

	Carrying amount	Contractual cash flow	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Lease liabilities	¥81,900	¥92,604	¥19,084	¥15,102	¥11,780	¥7,920	¥6,321	¥32,397

At December 31, 2023

(¥ millions)

	Carrying amount	Contractual cash flow	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Lease liabilities	**¥76,682**	**¥87,534**	**¥19,407**	**¥15,445**	**¥10,328**	**¥6,446**	**¥4,969**	**¥30,938**

(4) AMOUNTS RECORDED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Interest paid for leases	¥1,599	**¥1,487**
Variable leases	533	**681**
Short-term leases	2,038	**1,998**
Leases for low value items	1,382	**1,221**

(5) AMOUNT RECORDED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Total cash outflow for leases	¥24,939	**¥24,008**

19. EMPLOYEE BENEFITS

(1) DEFINED BENEFIT PLANS

As defined benefit plans, the Group has lump-sum severance payment plans, defined benefit corporate pension plans and employees' pension fund plans.

Benefits under the defined benefit plans are determined based on the points earned during the service period, benefit rates upon retirement, number of years of service, last average salary before retirement and other conditions.

In some cases, additional retirement benefits are paid for early retirement of employees before the ordinary retirement dates.

The defined benefit plans are managed by the Group or pension funds that are separate from the Group in accordance with relevant laws and regulations.

The Group or the administrative board of the pension funds and the pension management entrusted organizations are required by laws and regulations to faithfully conduct their work in relation to the funds of plan participants, bearing the responsibility to manage plan assets in accordance with given policies.

In managing plan assets, the optimum asset mix is formulated by external institutions that conduct pension ALM (asset liability management). Under the optimum asset mix, risks, expected rates of return and asset composition ratios by investment asset are determined, and plan assets are managed by maintaining the composition ratios.

The Group and pension funds periodically examine the pension financing pursuant to laws and regulations in order to keep the balance of pension finance in preparation for the appropriation for and shortages in future payments of benefits, and recalculate the amount of pension contributions.

Major plans of the Group are exposed to risks such as investment risk, interest rate risk, inflation risk and life span risk.

1) Reconciliation of defined benefit obligations

Reconciliation between the beginning balance and ending balance of the present value of defined benefit obligations was as follows:

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Balance at January 1	¥ 291,603	**¥ 260,681**
Current service cost	10,862	**9,927**
Interest cost	1,869	**3,055**
Remeasurement loss (gain)		
Changes in demographic assumptions	(766)	**(2,162)**
Changes in financial assumptions	(24,952)	**(2,636)**
Changes in experience adjustment	(710)	**4,119**
Past service cost	(26)	**(1,160)**
Foreign currency translation differences	2,995	**1,120**
Payments from plans	(17,944)	**(17,489)**
Effects of business combinations and disposals	−	**(118)**
Plan transfer (Note)	(2,351)	**−**
Other changes	100	**3**
Balance at December 31	260,681	**255,340**

Note: The decrease due to "Plan transfer" is mainly attributable to the dissolution of the corporate pension fund of Mercian Co., Ltd. and the transition to the Kirin Group's defined contribution plan.

Weighted-average duration of defined benefit obligations was 10.9 years at December 31, 2022 and 10.5 years at December 31, 2023.

2) Reconciliation of plan assets

Reconciliation between the beginning balance and ending balance of the fair value of plan assets was as follows:

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Balance at January 1	¥ 250,801	**¥ 224,223**
Interest income	1,561	**2,764**
Remeasurement loss (gain)		
Gain on plan assets (excluding interest income)	(19,254)	**8,361**
Foreign currency translation differences	2,274	**843**
Contributions paid by the employer	5,330	**7,572**
Payments from plans	(13,692)	**(12,652)**
Plan transfer (Note)	(2,769)	**−**
Other changes	(29)	**(79)**
Balance at December 31	224,223	**231,031**

Note: The decrease due to "Plan transfer" is mainly attributable to the dissolution of the corporate pension fund of Mercian Co., Ltd., and the transition to the Kirin Group's defined contribution plan.

The Group plans to contribute ¥3,608 million to the defined benefit plans for the year ending December 31, 2024.

3) Defined benefit obligations and plan assets

The following table shows the relationship between the present value of defined benefit obligations, fair value of plan assets and defined benefit liability (asset) in the consolidated statement of financial position:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Present value of defined benefit obligations	¥ 260,681	**¥ 255,340**
Fair value of plan assets	(224,223)	**(231,031)**
Total	36,458	**24,308**
Defined benefit liability	58,084	**55,228**
Defined benefit asset	(21,626)	**(30,920)**

Note: Defined benefit asset is included in other non-current assets in the consolidated statement of financial position.

4) Details of plan assets

Total plan assets consisted of the following:

(¥ millions)

	At December 31, 2022		**At December 31, 2023**	
	With quoted prices in active markets	Without quoted prices in active markets	With quoted prices in active markets	Without quoted prices in active markets
Equity instruments	¥ 44,666	¥ –	**¥ 47,073**	**¥ –**
Debt instruments	85,317	–	**93,647**	**–**
General accounts	–	59,411	**–**	**57,580**
Other	–	34,829	**–**	**32,731**
Total	129,984	94,240	**140,720**	**90,311**

5) Actuarial assumptions

Major actuarial assumptions were as follows:

	At December 31, 2022	**At December 31, 2023**
Discount rate (weighted-average)	1.5%	**1.6%**

The effect of 0.5% change in the material actuarial assumptions on the defined benefit obligations was as follows, assuming that the other variables are constant:

(¥ millions)

		At December 31, 2022	**At December 31, 2023**
Discount rate	Increase by 0.5%	¥ (10,157)	**¥ (9,706)**
	Decrease by 0.5%	13,394	**13,074**

(2) DEFINED CONTRIBUTION PLANS

The Company and some of its consolidated subsidiaries have defined contribution plans as well as defined benefit plans.

Expenses recorded for the defined contribution plans (including expenses recognized in relation to public pension systems) were ¥16,209 million for the year ended December 31, 2022 and ¥17,500 million for the year ended December 31, 2023.

(3) EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses included in the consolidated statement of profit or loss were ¥287,843 million for the year ended December 31, 2022 and ¥318,729 million for the year ended December 31, 2023. Employee benefit expenses mainly include wages and salaries, employee bonuses, statutory welfare expenses and expenses for post-retirement benefits. Interest costs and interest income on post-retirement benefits are included in finance costs on a net basis, and past service costs are included in other operating expenses and other operating income. Other expenses relating to employee benefits are included in cost of sales, selling, general and administrative expenses and other operating expenses.

20. PROVISIONS

Details of and changes in provisions were as follows:

Year ended December 31, 2023

(¥ millions)

	Allowance for loss on plants reorganization	Asset retirement obligations	Other	Total
Balance at January 1	¥ 361	¥ 3,411	¥ 2,491	¥ 6,263
Increase	–	275	7,400	7,675
Decrease resulting from settlement	–	(533)	(5,160)	(5,693)
Decrease due to reversal	–	110	(145)	(35)
Foreign currency translation differences	30	19	210	259
Balance at December 31	**390**	**3,282**	**4,797**	**8,469**
Non-current liabilities	–	3,223	1,093	4,316
Current liabilities	390	59	3,703	4,153

Note: Explanations of provisions are provided in Note 3. Material accounting policies.

21. TRADE AND OTHER PAYABLES

Trade and other payables consisted of the following:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Notes and accounts payable, trade	¥ 120,456	**¥ 137,263**
Accounts payable	77,223	**85,579**
Refund liabilities	67,505	**83,827**
Total	265,185	**306,670**

Note: Trade and other payables are classified as financial liabilities measured at amortized cost.

22. OTHER LIABILITIES

Other non-current liabilities and other current liabilities consisted of the following:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Liquor taxes payable	¥ 69,262	**¥ 70,003**
Contract liabilities (Note)	35,666	**27,706**
Other	100,174	**112,115**
Total	205,102	**209,824**
Non-current liabilities	27,572	**19,921**
Current liabilities	177,530	**189,904**

Note: The beginning balance of contract liabilities recognized as revenue was ¥9,479 million and ¥8,265 million for the years ended December 31, 2022 and 2023, respectively. Revenue recognized from the performance obligations satisfied in prior years was ¥24,010 million and ¥34,212 million for the years ended December 31, 2022 and 2023, respectively. These amounts mainly consist of milestone revenue and running royalty revenue.

23. REVENUE

(1) ANALYSIS OF REVENUE AND RECONCILIATION TO REVENUE FROM UNAFFILIATED CUSTOMERS BY SEGMENT

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Japan Beer and Spirits	¥ 663,522	**¥ 684,863**
Japan Non-alcoholic Beverages	243,257	**255,028**
Oceania Adult Beverages	255,900	**280,990**
Pharmaceuticals	397,863	**441,882**
Others		
Wine in Japan	55,653	**57,510**
Non-alcoholic beverages in North America	216,165	**250,142**
Bio-chemicals	45,948	**48,224**
Other	111,158	**115,754**
Total	428,925	**471,630**
Consolidated	1,989,468	**2,134,393**

(2) TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS

The following table shows the total transaction price which is allocated to residual performance obligations and periods when the revenue is expected to be recognized under agreements and other arrangements related to licensing revenue. The transactions with initial expected remaining periods not exceeding one year are excluded since a practical expedient is applied.

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Due within one year	¥ 10,559	**¥ 9,344**
Between one and two years	8,280	**8,936**
Between two and three years	8,276	**9,015**
More than three years	8,551	**411**
Total	35,666	**27,706**

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses consisted of the following:

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Sales promotion and advertising	¥ 166,032	**¥ 165,765**
Employee benefit expenses	215,128	**233,901**
Freight	59,378	**55,700**
Research and development	74,271	**84,895**
Depreciation and amortization	41,862	**42,674**
Other	157,884	**179,036**
Total	714,554	**761,971**

25. OTHER OPERATING INCOME

Other operating income consisted of the following:

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Gain on sale of property, plant and equipment and intangible assets	¥ 9,512	**¥6,119**
Gain on sale of shares of subsidiaries (Note)	–	**14,822**
Gain on reversal of impairment losses	13,152	**64**
Other	6,789	**7,830**
Total	29,454	**28,835**

Note: Gain on sale of shares of subsidiaries of ¥14,822 million for the year ended December 31, 2023 includes a gain of ¥7,252 million resulting from the reassessment of the retained interest at fair value at the date that control was lost.

26. OTHER OPERATING EXPENSES

Other operating expenses consisted of the following:

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Impairment losses	¥ 66,200	**¥ 29,987**
Business restructuring expenses (Note 1)	742	**2,784**
Software development expenses	7,096	**286**
Loss on disposal and sale of property, plant and equipment and intangible assets	5,040	**2,755**
Loss on sale of shares of subsidiaries (Note 2)	250	**19,358**
Other	25,266	**24,865**
Total	104,594	**80,036**

Notes:
1. Business restructuring expenses for the years ended December 31, 2022 and 2023 include additional employees' retirement benefits at consolidated subsidiaries of ¥742 million and ¥2,784 million, respectively.
2. Please refer to Note 28. Cash flows, Payment for sale of shares of subsidiaries.

27. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs consisted of the following:

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Interest income (Note 1)	¥ 4,040	**¥ 3,546**
Dividend income (Note 2)	457	**574**
Foreign exchange gains (net)	5,281	**4,307**
Other	1,200	**608**
Total finance income	10,978	**9,035**
Interest paid (Note 1)	4,894	**5,932**
Change in fair value of contingent consideration	659	**3,944**
Other	925	**647**
Total finance costs	6,478	**10,523**

Notes:
1. Interest income and interest paid were generated mainly from financial assets and financial liabilities measured at amortized cost.
2. Dividend income was generated from equity instruments measured at fair value through other comprehensive income.

28. CASH FLOWS

(1) RECONCILIATION OF LIABILITIES FOR FINANCING ACTIVITIES

Changes in major assets and liabilities for financing activities were as follows:

Year ended December 31, 2022

(¥ millions)

	Balance at January 1, 2022	Total changes arising from cash flows from financing activities	Non-cash transactions and other changes				Balance at December 31, 2022
			Acquisitions	Foreign currency translation differences	Changes in fair value	Other	
Short-term borrowings	¥ 9,052	¥ (6,083)	¥ –	¥ (462)	¥ –	¥ –	¥ 2,506
Commercial paper	73,009	(55,009)	–	–	–	–	18,000
Long-term borrowings (Note)	230,137	4,167	–	8,860	–	73	243,237
Bonds (Note)	239,274	19,909	–	–	–	195	259,377
Lease liabilities (Note)	90,158	(19,387)	10,324	3,866	–	(3,062)	81,900
Derivatives used for hedging - liabilities	2,793	(4,072)	–	–	1,279	–	–

Note: The balance with maturities of one year or less is included.

Year ended December 31, 2023

(¥ millions)

	Balance at January 1, 2023	Total changes arising from cash flows from financing activities	Non-cash transactions and other changes				Balance at December 31, 2023
			Acquisitions	Acquisitions through business combinations	Foreign currency translation differences	Other	
Short-term borrowings	**¥ 2,506**	**¥ (1,900)**	**¥ –**	**¥ –**	**¥ 95**	**¥ –**	**¥ 701**
Commercial paper	**18,000**	**(18,000)**	**–**	**–**	**–**	**–**	**–**
Long-term borrowings (Note)	**243,237**	**107,993**	**–**	**5,927**	**1,264**	**78**	**358,499**
Bonds (Note)	**259,377**	**37,625**	**–**	**–**	**–**	**195**	**297,197**
Lease liabilities (Note)	**81,900**	**(18,621)**	**10,993**	**2,113**	**2,829**	**(2,531)**	**76,682**

Note: The balance with maturities of one year or less is included.

(2) PAYMENT FOR SALE OF SHARES OF SUBSIDIARIES

On January 23, 2023, Kirin Holdings Singapore Pte, Ltd., a consolidated subsidiary of the Company, transferred all shares of Myanmar Brewery Limited (MBL) and Mandalay Brewery Limited (MDL) to MBL and MDL (share repurchase by MBL and MDL), and lost control of MBL and MDL.

The details of the assets and liabilities on loss of control and the relationship between payment for sale and loss on sale were as set out in the table below. Loss on sale is recorded in other operating expenses in the consolidated statement of profit or loss.

	(¥ millions)
Consideration received	¥ 20,478
Components of assets and liabilities on loss of control	
Non-current assets	14,095
Current assets	34,296
Non-current liabilities	1,823
Current liabilities	6,294
Loss on sale of shares of subsidiaries	19,358

Consideration received	20,478
Cash and cash equivalents held on loss of control	25,484
Payment for sale of shares of subsidiaries, net of cash disposed of	5,006

29. OTHER COMPREHENSIVE INCOME

The following table shows amounts arising during the year, amounts reclassified to profit or loss and tax effects for each component of comprehensive income included in other comprehensive income:

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Net change in equity instruments measured at fair value through other comprehensive income		
Amount arising during the year	¥ 2,449	**¥ 11,303**
Before taxes	2,449	**11,303**
Tax effects	(511)	**(3,449)**
After taxes	1,937	**7,854**
Remeasurements of defined benefit plans		
Amount arising during the year	7,174	**9,040**
Before taxes	7,174	**9,040**
Tax effects	(2,048)	**(2,766)**
After taxes	5,126	**6,273**
Foreign currency translation differences on foreign operations		
Amount arising during the year	48,389	**73,837**
Reclassification adjustments	250	**19,288**
Before taxes	48,639	**93,125**
Tax effects	–	**–**
After taxes	48,639	**93,125**
Cash flow hedges		
Amount arising during the year	(14,118)	**3,835**
Reclassification adjustments	11,822	**(5,449)**
Before taxes	(2,295)	**(1,614)**
Tax effects	696	**513**
After taxes	(1,600)	**(1,100)**
Share of other comprehensive income of equity-accounted investees		
Amount arising during the year	21,512	**7,519**
Reclassification adjustments	451	**(2,308)**
Before taxes	21,963	**5,211**
Tax effects	–	**–**
After taxes	21,963	**5,211**
Total other comprehensive income		
Amount arising during the year	65,406	**105,533**
Reclassification adjustments	12,523	**11,531**
Before taxes	77,929	**117,064**
Tax effects	(1,864)	**(5,702)**
After taxes	76,065	**111,362**

30. EARNINGS PER SHARE

(1) BASIS OF CALCULATION OF BASIC EARNINGS PER SHARE

The basis of calculation of basic earnings per share was as follows:

1) Profit attributable to ordinary shareholders of the Company (basic)

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Profit attributable to owners of the Company	¥ 111,007	**¥ 112,697**
Profit not attributable to ordinary shareholders of the Company	–	**–**
Profit attributable to ordinary shareholders of the Company	111,007	**112,697**

2) Weighted-average number of ordinary shares (basic)

(Thousands of shares)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Weighted-average number of ordinary shares	821,755	**809,853**

(2) BASIS OF CALCULATION OF DILUTED EARNINGS PER SHARE

Diluted earnings per share were calculated as follows based on profit attributable to ordinary shareholders of the Company and weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares:

1) Profit attributable to ordinary shareholders of the Company (diluted)

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Profit attributable to ordinary shareholders of the Company	¥ 111,007	**¥ 112,697**
Adjustments for potential ordinary shares issued by subsidiary and associates	(15)	**(6)**
Profit attributable to ordinary shareholders of the Company (diluted)	110,992	**112,691**

2) Weighted-average number of ordinary shares (diluted)

(Thousands of shares)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Weighted-average number of ordinary shares (basic)	821,755	**809,853**
Effect of dilution	–	**–**
Weighted-average number of ordinary shares (diluted)	821,755	**809,853**

31. SHARE-BASED PAYMENTS

(1) DETAILS OF SHARE-BASED PAYMENT PLANS

The Company has adopted a Board Incentive Plan Trust as a performance-linked remuneration system for Directors, excluding Outside Directors, and Executive Officers of the Company who are residents in Japan ("the Directors and Officers"), for the sake of stable and efficient operation of the remuneration system as well as providing the Directors and Officers of the Company with incentives for improving medium- to long-term performance and increasing corporate value.

Kyowa Kirin Co., Ltd., a subsidiary of the Company, has adopted a restricted stock compensation system, which is an equity-settled share-based payment plan, and a performance-linked share-based remuneration plan (Performance Share Unit), which is an equity-settled and cash-settled share-based payment plan, for directors and officers of the company. It has also adopted a phantom stock plan, which is a cash-settled share-based payment plan, for certain employees of the Kyowa Kirin Co., Ltd. group.

(2) BOARD INCENTIVE PLAN TRUST

1) Details of the program

The Board Incentive Plan Trust is a scheme whereby a trust funded and created by the Company acquires shares in the Company by using such funds and delivers, in principle, the Company's shares along with the payment of cash equivalent to the proceeds from the realization of the Company's shares that are realizable (the "Company's Shares, etc." collectively) to the Directors and Officers who have been granted points in accordance with the Share Delivery Rules of the Company when the Directors and Officers follow the prescribed beneficiary-determining procedure at a certain point in time after three years have passed since the start of each performance evaluation period. When the Company's Shares, etc. are delivered or paid to the Directors and Officers, one point is converted to one share. Of the Company's Shares, etc., shares that are realizable under the Share Delivery Rules are delivered in cash in an amount equivalent to the value that those shares can be converted to.

2) Number of points granted during the year and fair values

	Year ended December 31, 2022	**Year ended December 31, 2023**
Grant date	March 30, 2022	**March 30, 2023**
Number of points granted	276,489	**225,531**
Fair value at grant date (Yen)	¥ 1,853.5	**¥ 2,109.5**

Note: Since fair value at grant date was considered to be approximately equal to the Company's share price at grant date, the fair value was determined using the share price at grant date.

(3) RESTRICTED STOCK COMPENSATION SYSTEM

1) Details of the program

Under the system, directors and officers of the Company's subsidiary Kyowa Kirin Co., Ltd. are issued with ordinary shares of Kyowa Kirin Co., Ltd. upon the payment of all monetary compensation claims provided in the form of contribution in kind, on condition that they remain in the position of director or officer of the company for a certain period.

The ordinary shares of Kyowa Kirin Co., Ltd. are issued under restricted stock compensation on condition that the company and the directors and officers conclude an agreement which contains the following provisions: (i) the shares shall not be transferred to a third party, securitized or disposed of during a certain period, and (ii) when certain grounds arise, the shares will be acquired by the company without compensation.

2) Number of shares granted during the year and fair values

	Year ended December 31, 2022	**Year ended December 31, 2023**
Grant date	April 14, 2022	**April 13, 2023**
Number of shares granted (Shares)	60,113	**70,908**
Fair value (Yen)	¥ 3,140	**¥ 2,838**

(4) PERFORMANCE-LINKED SHARE-BASED REMUNERATION PLAN (PERFORMANCE SHARE UNIT)

1) Details of the plan

The Company's subsidiary Kyowa Kirin Co., Ltd. has introduced a performance-linked share-based remuneration plan (Performance Share Unit), where the remuneration is granted based on the degree of achievement of performance targets with the period of three consecutive fiscal years as the period of performance evaluation (hereinafter, the "Performance Evaluation Period").

The directors and executive officers of the company are subject to the plan. At the beginning of the Performance Evaluation Period, the reference number of shares to be delivered is determined upon resolution by the board of directors. After the end of the Performance Evaluation Period, the reference number of shares to be delivered is multiplied by the degree of achievement of performance targets in the range of 0% to 150%. Approximately half of this amount is delivered in the form of shares and the remaining amount is paid in cash to the directors and officers during a specified period, normally April, every year.

The carrying amount of liabilities related to the plan was ¥87 million and ¥83 million as of December 31, 2022 and 2023, respectively.

2) Number of performance share units outstanding during the year

	Year ended December 31, 2022	**Year ended December 31, 2023**
	Reference number of shares to be delivered	Reference number of shares to be delivered
Shares at January 1	36,343	**71,918**
Grants	35,575	**41,015**
Other increases	–	–
Delivery or Payment	–	–
Other decreases	–	–
Shares at December 31	71,918	**112,933**
Weighted-average fair value (Yen)	¥ 3,143	**¥ 3,032**

Note: The fair value under the plan is measured based on the market price of the company's shares on the business day immediately before the date of resolution by the company's board of directors at the start of the applicable period of the plan and is not adjusted in consideration of expected dividends.

(5) PHANTOM STOCK PLAN

Kyowa Kirin Co., Ltd., a subsidiary of the Company, and some of its subsidiaries have adopted a phantom stock plan, which settles amounts based on the share price of Kyowa Kirin Co., Ltd. at the vesting of rights in cash when granting compensation.

Certain employees of the Kyowa Kirin Co., Ltd. group are subject to the plan. The vesting condition for the rights is three-year continuous service on and after the grant date, in principle. The plan does not have an exercise price as it determines and pays compensation amounts based on the share price of Kyowa Kirin Co., Ltd.

The carrying amount of liabilities related to the plan as of December 31, 2022 and 2023 was ¥708 million and ¥401 million, respectively.

(6) SHARE OPTION PLAN

1) Details of the plan

Until the year ended December 31, 2019, the Company's subsidiary, Kyowa Kirin Co., Ltd. had the share option plan, all of which are equity-settled share-based payments. Based on the details approved at the shareholders meetings and by the Board of Directors' Meetings of Kyowa Kirin Co., Ltd., subscription rights to shares issued as share options are granted to directors and managing officers of Kyowa Kirin Co., Ltd. and some directors of the subsidiaries of Kyowa Kirin Co., Ltd. If grantees are dismissed from the position of director or managing officer, the subscription rights to shares will be extinguished. When the retirement date of the grantee comes before the expiration of his or her term of office, the number of subscription rights to shares is adjusted according to the number of months of his or her tenure. The exercise period is defined in the allotment agreement, ranging from three to twenty years. If the grantee loses his or her position or does not exercise the subscription rights to shares during the exercise period, said rights will be extinguished.

2) Number of share options and weighted-average exercise prices

	Year ended December 31, 2022		**Year ended December 31, 2023**	
	Number of shares (Shares)	Weighted-average exercise price (Yen)	Number of shares (Shares)	Weighted-average exercise price (Yen)
Outstanding at January 1	203,900	¥ 1	**110,200**	**¥ 1**
Grants	–	–	–	–
Exercise	(93,700)	1	**(63,300)**	**1**
Expiry or extinguishment at maturity	–	–	–	–
Outstanding at December 31	14,000	1	–	–
Exercisable outstanding at December 31	96,200	1	**46,900**	**1**

Notes:
1. The weighted-average share price at the exercise dates for the share options exercised during the years ended December 31, 2022 and 2023 was ¥2,894 and ¥2,870, respectively.
2. The weighted-average remaining period of the outstanding share options was 2.8 years and 0.9 years for the years ended December 31, 2022 and 2023, respectively.

(7) AMOUNTS RECORDED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Expenses related to the aforementioned share-based payment plans were as below. They were recorded in selling, general and administrative expenses in the consolidated statement of profit or loss.

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Equity-settled	¥ 516	**¥ 541**
Cash-settled	603	**170**
Total	1,119	**711**

32. FINANCIAL INSTRUMENTS

(1) CAPITAL MANAGEMENT

The Group's basic policy for capital management is to maintain optimum capital structure with a focus on providing shareholders with returns and securing a sound, flexible financial footing towards the objective of maximizing corporate value. Aiming to improve profitability and efficiency, the Group utilizes cash flows which are provided by activities such as generating Group synergies, promoting CSV management and reducing assets, in order to conduct business investments and capital investments, provide shareholder returns, and repay interest-bearing liabilities.

(2) MATTERS RELATED TO RISK MANAGEMENT

The Group is exposed to financial risks, including credit risk, liquidity risk and market risk, in its business activities. To reduce such risks, the Group practices risk management based on established policies and procedures.

The Group limits the use of derivatives to that for the purpose of hedging financial risks, and does not use derivatives for speculative purposes.

(3) CREDIT RISK

1) Credit risk management

The Group is exposed to credit risk associated with trade receivables (notes and accounts receivable, trade), other receivables (accrued accounts receivable) and other financial assets (such as guarantee deposits).

In accordance with the internal policies for managing credit risk arising from these financial assets, in each sales division, the Company and relevant subsidiaries monitor credit worthiness of their main customers and counterparties on a periodical basis and manage due dates and outstanding balances by individual customer. In addition, efforts are made to quickly identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Group believes that the credit risk of derivatives is insignificant as it enters into derivatives only with financial institutions which have a high credit rating.

The Group is not exposed to credit risk that is significantly concentrated on any particular customer or group which it belongs to.

2) Credit risk

Carrying amounts (before allowance for doubtful accounts) of financial assets by stage at December 31, 2022 and December 31, 2023 were as follows:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Trade and other receivables	¥ 410,633	**¥ 446,474**
Other financial assets measured at amortized cost		
Financial assets in stage 1	51,815	**49,228**
Financial assets in stage 2	886	**789**
Financial assets in stage 3	545	**601**

The maximum amount of credit risk at the reporting date without considering the valuation of collateral held by the Group is represented by the carrying amount of financial assets exposed to the credit risk. The collateral held as guarantee mainly consists of security deposits.

The Group collectively assesses expected credit losses on trade and other receivables and financial assets in stage 1 by multiplying the rate of credit losses in prior years by a provision rate that reflects forecasts of future economic conditions and other factors, and individually assesses expected credit losses on financial assets in stage 2 and stage 3 based on considering credit losses in prior years and forecasts of future economic conditions and other factors.

The table of changes in allowance for doubtful accounts related to the above financial assets was as follows:

(¥ millions)

	Trade and other receivables	Other financial assets measured at amortized cost		
	Allowance for doubtful accounts related to financial assets under the simplified approach	Allowance for doubtful accounts related to financial assets in stage 1	Allowance for doubtful accounts related to financial assets in stage 2	Allowance for doubtful accounts related to financial assets in stage 3
Balance at January 1, 2022	¥ 1,517	¥ 598	¥ 895	¥ 561
Net provision	394	(45)	13	8
Release due to settlement	(624)	–	(21)	–
Other	177	3	0	(23)
Balance at December 31, 2022	1,465	556	886	545
Net provision	**321**	**(19)**	**24**	**28**
Release due to settlement	**(232)**	**(0)**	**(95)**	**–**
Other	**(19)**	**5**	**(27)**	**28**
Balance at December 31, 2023	**1,535**	**542**	**789**	**601**

The balance of guarantee obligations presented below represents the Group's maximum credit exposure relating to those obligations.

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Loan obligations of employees	¥ 114	**¥ 76**

The Group has not recorded any provision for losses on guarantees which may be incurred due to performance under the guarantee obligation contracts because the amount is not expected to be material.

(4) LIQUIDITY RISK

1) Liquidity risk management

In accordance with the internal policies for managing financial risks, the Group formulates fund procurement plans based on the business plan for each year to counter liquidity risk. The Group also manages the liquidity risk which arises mainly due to deterioration in the fund procurement environment by, for example, entering into commitment lines with several financial institutions and achieving an appropriate balance between direct and indirect fund procurement as well as short-term and long-term fund procurement.

2) Financial liabilities by maturity

Financial liabilities by maturity were as follows:

At December 31, 2022

(¥ millions)

	Carrying amount	Contractual cash flow	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Trade and other payables	¥ 265,185	¥ 265,185	¥ 265,185	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds and borrowings	523,121	529,899	116,256	120,146	65,604	65,463	60,378	102,052
Derivative liabilities	3,327	3,327	2,925	402	–	–	–	–
Other financial liabilities (current)	39,330	39,330	39,330	–	–	–	–	–
Deposits received	44,886	47,550	444	444	444	444	444	45,330

At December 31, 2023

(¥ millions)

	Carrying amount	Contractual cash flow	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Trade and other payables	**¥ 306,670**	**¥ 306,670**	**¥ 306,670**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Bonds and borrowings	**656,397**	**677,058**	**103,723**	**73,430**	**67,521**	**62,436**	**102,335**	**267,612**
Derivative liabilities	**4,875**	**4,875**	**4,848**	**27**	**–**	**–**	**–**	**–**
Other financial liabilities (current)	**38,881**	**38,881**	**38,881**	**–**	**–**	**–**	**–**	**–**
Deposits received	**482**	**511**	**5**	**5**	**5**	**5**	**5**	**487**

(5) MARKET RISK MANAGEMENT

1) Foreign exchange risk management

The Group operates businesses globally and, therefore, is exposed to the risk that Group's equity is influenced by foreign exchange fluctuations as a result of transactions undertaken in currencies other than the functional currency and when financial statements of foreign operations are translated into Japanese yen and consolidated. To manage foreign exchange risk, the Group hedges such risk mainly using foreign exchange contracts and currency swaps.

The Group is exposed to foreign exchange risk primarily from the Myanmar kyats, the U.S. dollar and the euro (excluding the risk related to transactions undertaken in the functional currency of each Group company).

The main net exposure to foreign exchange risk of the Group was as follows (figures in parentheses indicate liability), excluding exposures hedged by derivative transactions:

	At December 31, 2022	**At December 31, 2023**
Myanmar kyats (Thousands of Myanmar kyats)	19,111,578	**343,259,396**
U.S. dollar (Thousands of U.S. dollars)	173,146	**91,704**
Euro (Thousands of euro)	44,230	**(13,816)**

For the foreign currency denominated financial instruments held by the Group at the reporting date, if the Japanese yen depreciates by 10% against the Myanmar kyats, the U.S. dollar and the euro, the impact on profit after tax is as set out below.

The impact of translating financial instruments denominated in the functional currency, assets and liabilities of foreign operations and income and expenses into Japanese yen is not included. In addition, other variable factors are assumed to remain constant.

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Myanmar kyats	¥ 100	**¥ 1,924**
U.S. dollar	1,740	**914**
Euro	433	**(149)**

2) Interest rate risk

The Group is not exposed to interest rate risk since the Group does not hold any financial instruments with floating interest rates at the reporting date.

3) Price fluctuation risk

The Group is exposed to share price fluctuation risk arising from equity instruments (shares). For the equity instruments, the Group regularly assesses the fair values, the financial conditions of the issuers and other relevant factors, and continuously reviews the holding status of such instruments by taking into account the relationship with the issuer when the issuer is a customer of the Group.

If the market price of equity instruments held by the Group at the reporting date increases by 1% with other variable factors assumed to remain constant, the impact on other comprehensive income (before tax) is ¥329 million and ¥331 million for the years ended December 31, 2022 and 2023, respectively.

The Group is exposed to price fluctuation risk of commodities, such as aluminum and oil, but such exposure is hedged using mainly commodity swaps. If the price of aluminum and oil changes by 1% at the reporting date, the impact on profit before tax is not material.

The Group's exposure to price fluctuation risk of commodities is not material.

In addition, the Group determines whether there is an economic relationship between the hedged item and hedging instrument based on the amount and timing of the associated cash flows and other factors. In the hedging relationships to which the Group currently applies hedge accounting, the important conditions of the hedged item and hedging instrument are consistent.

(6) DERIVATIVE TRANSACTIONS AND HEDGE ACCOUNTING

1) Derivative transactions for which hedge accounting has not been applied

Notional amount and fair value of derivative transactions for which hedge accounting has not been applied were as follows:

(¥ millions)

	At December 31, 2022		**At December 31, 2023**	
	Notional amount	Fair value	Notional amount	Fair value
Forward foreign exchange contracts	¥ 137,922	¥ (213)	**¥ 210,202**	**¥ 388**
Currency swaps	790	(21)	–	–
Commodity futures	–	–	**1,227**	**82**
Total	138,712	(234)	**211,429**	**469**

2) Hedge accounting

Items designated as hedging instruments were as follows:

The carrying amounts of derivatives are the amounts recorded in other financial assets or other financial liabilities in the consolidated statement of financial position. The portions due later than one year are classified into non-current assets or non-current liabilities.

At December 31, 2022

(¥ millions)

	Notional amount		Carrying amount		Change in fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness
	Total amount	Portion due later than one year included therein	Assets	Liabilities	
Cash flow hedges					
Foreign exchange risk					
Forward foreign exchange contracts	¥ 40,440	¥ 7,473	¥ 621	¥ 1,112	¥ (12,942)
Commodity price risk					
Commodity swaps (oil)	1,510 thousand liters	– thousand liters	–	54	(70)
Commodity swaps and commodity futures (aluminum and others)	52 thousand tons	15 thousand tons	157	1,194	(1,275)

The average rates for forward foreign exchange contracts are ¥138.70 to the U.S. dollar, ¥142.53 to the euro, and ¥92.22 to the Australian dollar.

At December 31, 2023

(¥ millions)

	Notional amount		Carrying amount		Change in fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness
	Total amount	Portion due later than one year included therein	Assets	Liabilities	
Cash flow hedges					
Foreign exchange risk					
Forward foreign exchange contracts	**¥ 97,119**	**¥ 1,829**	**¥ 318**	**¥ 3,158**	**¥ 3,939**
Commodity price risk					
Commodity swaps (oil)	**1,736 thousand liters**	**416 thousand liters**	**6**	**–**	**50**
Commodity swaps and commodity futures (aluminum and others)	**35 thousand tons**	**8 thousand tons**	**173**	**482**	**(154)**

The average rates for forward foreign exchange contracts are ¥140.28 to the U.S. dollar, ¥153.85 to the euro, and ¥94.45 to the Australian dollar.

The impact on the consolidated statement of comprehensive income as a result of applying hedge accounting was as follows:

Year ended December 31, 2022

(¥ millions)

	Change in the value of hedging instruments recognized in other comprehensive income	Amount reclassified to profit or loss	Line item in profit or loss affected by the reclassification	Amount reclassified to acquisition cost of hedged item
Cash flow hedges				
Foreign exchange risk	¥ (12,935)	¥ 12,043	Finance income	–
Commodity price risk	(1,183)	(221)	Cost of sales	–

The amount of hedge ineffectiveness recognized in profit or loss was not material.

Year ended December 31, 2023

(¥ millions)

	Change in the value of hedging instruments recognized in other comprehensive income	Amount reclassified to profit or loss	Line item in profit or loss affected by the reclassification	Amount reclassified to acquisition cost of hedged items
Cash flow hedges				
Foreign exchange risk	**¥ 3,939**	**¥ (98)**	**Cost of sales**	**(6,257)**
Commodity price risk	**(104)**	**906**	**Cost of sales**	–

The amount of hedge ineffectiveness recognized in profit or loss was not material.

(7) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy of financial instruments is categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value determined, either directly or indirectly, using observable prices other than Level 1

Level 3: Fair value determined using valuation techniques including inputs not based on observable market data

Transfers between the levels of the fair value hierarchy are recognized as if they have occurred at the end of the reporting period.

1) Methods of fair value measurement

The method of fair value measurement for each financial instrument is as follows:

Long-term borrowings: The fair value of long-term borrowings is determined as the present value calculated by discounting the combined total of principal and interest with an assumed interest rate for similar new borrowings.

Bonds: The fair value of bonds is determined as the present value calculated by discounting the combined total of principal and interest with an interest rate that reflects the current maturity and credit risk.

Derivatives: The fair value of derivatives is based on prices determined from market data, such as exchange rates and interest rates, by the counterparty financial institutions and other parties.

Shares: The fair value of listed shares is determined based on quoted market prices. The fair value of unlisted shares is determined using valuation techniques based on market prices of similar entities.

2) Financial instruments measured at amortized cost

The carrying amount and fair value of financial instruments measured at amortized cost by level in the fair value hierarchy were as follows:

At December 31, 2022

(¥ millions)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term borrowings (Note)	¥ 243,237	¥ –	¥ –	¥ 241,251	¥ 241,251
Bonds (Note)	259,377	–	255,643	–	255,643

Note: The balance due within one year is included.

At December 31, 2023

(¥ millions)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term borrowings (Note)	**¥ 358,499**	**¥ –**	**¥ –**	**¥ 357,879**	**¥ 357,879**
Bonds (Note)	**297,197**	**–**	**296,196**	**–**	**296,196**

Note: The balance due within one year is included.

The carrying amount of short-term financial assets and liabilities measured at amortized cost is approximately equal to the fair value.

3) Financial instruments measured at fair value

The level in the fair value hierarchy of financial instruments measured at fair value was as follows:

At December 31, 2022

(¥ millions)

	Fair value			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative assets	¥ –	¥ 1,511	¥ –	¥ 1,511
Shares	32,864	–	23,071	55,935
Other	–	192	2,851	3,043
Total	32,864	1,703	25,922	60,489
Liabilities:				
Derivative liabilities	–	3,327	–	3,327
Other	–	–	11,511	11,511
Total	–	3,327	11,511	14,838

At December 31, 2023

(¥ millions)

	Fair value			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative assets	**¥ –**	**¥ 2,202**	**¥ –**	**¥ 2,202**
Shares	**33,105**	**–**	**27,791**	**60,896**
Other	**–**	**74**	**(1,799)**	**(1,725)**
Total	**33,105**	**2,276**	**25,992**	**61,373**
Liabilities:				
Derivative liabilities	**–**	**4,875**	**–**	**4,875**
Other	**–**	**–**	**16,310**	**16,310**
Total	**–**	**4,875**	**16,310**	**21,185**

Notes:

1. There were no transfers between Level 1 and Level 2 at December 31, 2022 and December 31, 2023.
2. The measurement of fair value of shares in Level 3 is conducted in accordance with the relevant internal policy, using valuation techniques and inputs that most appropriately reflect their nature, characteristics, and risks.
   The significant unobservable inputs associated with the fair value measurement of shares which are measured at fair value on a recurring basis and are categorized in Level 3 are operating margin and illiquidity discount. The fair value increases (decreases) with higher (lower) operating margin and decreases (increases) with higher (lower) illiquidity discount.
   Changes in the fair value of shares categorized in Level 3 are not material if the unobservable inputs are replaced by reasonable alternative assumptions.

Changes in financial assets categorized in Level 3 were as follows:

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Balance at January 1	¥ 26,120	**¥ 25,922**
Total gains and losses	1,110	**3,717**
Profit or loss (Note 1)	320	**726**
Other comprehensive income (Note 2)	791	**2,990**
Purchases	2,873	**1,372**
Sales	(56)	**(1)**
Other	(4,125)	**(5,017)**
Balance at December 31	25,922	**25,992**

Notes:
1. Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss at the reporting date. These gains and losses are included in finance income and/or finance costs.
2. Gains and losses included in other comprehensive income are related to equity instruments measured at fair value through other comprehensive income at the reporting date. These gains and losses are included in net change in equity instruments measured at fair value through other comprehensive income.

(8) OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company has entered into cash pooling agreements with financial institutions, and thereby the Company has a legally enforceable right to set off financial assets and financial liabilities recognized under the cash pooling agreements. Furthermore, the Company intends either to settle the amounts on a net basis or to realize the asset and settle the liability simultaneously.
Financial assets and financial liabilities recognized under the cash pooling agreements at December 31, 2022 and 2023 were as follows:

At December 31, 2022

(¥ millions)

	Gross amount recognized	Amount of offset	Net amount presented in the statement of financial position
Financial assets: Cash and cash equivalents	¥ 52,920	¥ (48,431)	¥ 4,489
Financial liabilities: Bonds and borrowings	48,431	(48,431)	–

At December 31, 2023

(¥ millions)

	Gross amount recognized	Amount of offset	Net amount presented in the statement of financial position
Financial assets: Cash and cash equivalents	**¥ 218,727**	**¥ (211,942)**	**¥ 6,785**
Financial liabilities: Bonds and borrowings	**211,942**	**(211,942)**	**–**

33. RELATED PARTIES

(1) TRANSACTIONS WITH RELATED PARTIES
There are no material related party transactions.

(2) KEY MANAGEMENT PERSONNEL COMPENSATION
Key management personnel compensation was as follows:

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Short-term employee benefits	¥ 1,002	**¥ 1,058**
Share-based payments	257	**346**
Total	1,260	**1,403**

34. LIST OF SUBSIDIARIES

The Company's consolidated subsidiaries are listed in I. OVERVIEW OF COMPANY, 4. SUBSIDIARIES AND ASSOCIATES.

Changes in consolidated subsidiaries during the year ended December 31, 2023 are as follows:
Increase in number of subsidiaries through acquisition or establishment: 42
Decrease in number of subsidiaries by liquidation or sale: 19

35. NON-CONTROLLING INTERESTS

Financial information before any intra-group eliminations for the Group's subsidiary, Kyowa Kirin Co., Ltd., which has material non-controlling interests, is summarized as follows:

(1) GENERAL INFORMATION

	At December 31, 2022	**At December 31, 2023**
Non-controlling interests ratio	46.26%	**46.28%**
Accumulated amount of non-controlling interests (¥ millions)	¥ 251,632	**¥ 290,586**

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Profit or loss allocated to non-controlling interests	¥ 24,783	**¥ 37,574**
Dividends to non-controlling interests	11,682	**13,428**

(2) SUMMARIZED FINANCIAL INFORMATION
1) Summary of consolidated statement of financial position

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Total non-current assets	¥ 355,088	**¥ 372,215**
Total current assets	542,189	**611,124**
Total equity	720,223	**793,815**
Total non-current liabilities	67,229	**56,287**
Total current liabilities	109,825	**133,237**

2) Summary of consolidated statement of profit or loss

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Revenue	¥ 398,371	**¥ 442,233**
Profit	53,573	**81,188**

3) Summary of consolidated statement of comprehensive income

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Other comprehensive income	¥ (2,918)	**¥ 21,008**
Total comprehensive income	50,654	**102,196**

4) Summary of consolidated statement of cash flows

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Net cash flows from operating activities	¥ 48,672	**¥ 115,694**
Net cash flows from (used in) investing activities	(17,185)	**(20,382)**
Net cash flows from (used in) financing activities	(29,032)	**(32,678)**

36. EQUITY-ACCOUNTED INVESTEES

Carrying amounts of equity-accounted investees were as follows:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Joint ventures	¥ (15,271)	**¥ (13,322)**
Associates	361,764	**370,720**
Total	346,493	**357,398**

(1) MATERIAL ASSOCIATES

The Group’s material associates are San Miguel Brewery Inc. (“San Miguel”) (reporting date: September 30) and FANCL CORPORATION (“FANCL”) (reporting date: December 31).

1) San Miguel Brewery Inc.

San Miguel conducts production and sale of beer mainly in the Philippines. The Group will continue enhancing its business base in the growing Southeast Asian beer market in order to develop the business as its growth driver.

The following table reconciles summarized financial information of San Miguel to the carrying amounts of the Group’s equity interests. Items in the statement of financial position are based on financial information at September 30, and items in the statements of profit or loss and comprehensive income are based on financial information for the 12-month reporting period of San Miguel ended September 30.

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Percentage ownership interest	48.55%	**48.55%**
Total non-current assets	¥ 260,706	**¥ 308,749**
Total current assets	97,614	**120,056**
Total non-current liabilities	80,524	**109,077**
Total current liabilities	46,609	**61,059**
Equity	231,187	**258,670**
Non-controlling interests	10,409	**9,861**
Equity after deduction of non-controlling interests	220,778	**248,809**
Equity attributable to the Group	107,188	**120,797**
Goodwill and consolidation adjustments	81,784	**81,855**
Carrying amount of equity	188,972	**202,652**

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Revenue	¥ 317,006	**¥ 366,852**
Profit or loss from continuing operations	53,695	**63,050**
Equity attributable to owners of the Company	52,379	**62,451**
Non-controlling interests	1,316	**600**
Other comprehensive income	28,391	**12,211**
Equity attributable to owners of the Company	28,391	**12,211**
Non-controlling interests	–	**–**
Total comprehensive income	82,086	**75,261**
Equity attributable to owners of the Company	80,770	**74,662**
Non-controlling interests	1,316	**600**
Share of:		
Profit or loss from continuing operations	25,430	**30,320**
Other comprehensive income	13,784	**5,928**
Total comprehensive income	39,214	**36,248**
Goodwill and consolidation adjustments	98	**71**
Total share of the Group	39,312	**36,319**
Dividends received by the Group	18,693	**22,639**

2) FANCL CORPORATION

FANCL is engaged in research, development, manufacture and sale of cosmetics and health foods mainly in Japan, and the Group and FANCL will utilize both business resources and create synergies to expand and develop its businesses.

The following table reconciles summarized financial information of FANCL to the carrying amounts of the Group's equity interests.

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Percentage ownership interest	32.70%	**32.69%**
Total non-current assets	¥ 252,592	**¥ 246,877**
Total current assets	58,753	**65,069**
Total non-current liabilities	78,634	**76,995**
Total current liabilities	16,746	**17,616**
Equity	215,964	**217,336**
Equity attributable to the Group	70,620	**71,047**
Goodwill and consolidation adjustments	57,836	**57,851**
Share acquisition rights	(200)	**(175)**
Carrying amount of equity	128,257	**128,723**
Fair value of equity (Note)	106,285	**93,750**

Note: The fair value is based on the market price of the investment and is categorized as Level 1 in the fair value hierarchy.

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Revenue	¥ 104,075	**¥ 108,057**
Profit or loss from continuing operations	3,091	**5,202**
Other comprehensive income	188	**16**
Total comprehensive income	3,279	**5,217**
Share of:		
Profit or loss from continuing operations	1,013	**1,701**
Other comprehensive income	62	**5**
Total comprehensive income	1,075	**1,706**
Goodwill and consolidation adjustments	–	**–**
Total share of the Group	1,075	**1,706**
Dividends received by the Group	1,348	**1,347**

(2) INDIVIDUALLY IMMATERIAL JOINT VENTURES AND ASSOCIATES

Carrying amounts of the Group's equity interests in individually immaterial joint ventures and associates were as follows:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Joint ventures	¥ (15,271)	**¥ (13,322)**
Associates	44,536	**39,346**
Total	29,265	**26,024**

Associates classified as assets held for sale are not included.

The Group's shares of profit or loss from continuing operations, other comprehensive income and total comprehensive income in individually immaterial joint ventures and associates were as follows:

1) Individually immaterial joint ventures

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Share of:		
Profit or loss from continuing operations	¥ 4,324	**¥ 1,460**
Other comprehensive income	121	**53**
Total comprehensive income	4,444	**1,513**

2) Individually immaterial associates

(¥ millions)

	Year ended December 31, 2022	**Year ended December 31, 2023**
Share of:		
Profit or loss from continuing operations	¥ (7,987)	**¥ (708)**
Other comprehensive income	9,064	**(847)**
Total comprehensive income	1,076	**(1,555)**

(3) IMPAIRMENT LOSSES ON INVESTMENTS IN ASSOCIATES

Since the fair value of the investment in FANCL CORPORATION had been below its cost for an extended period in the year ended December 31, 2023, the Company determined that there was an indication of impairment and conducted an impairment test. As a result, no impairment loss was recognized since the recoverable amount exceeded the carrying amount.

The recoverable amount was measured at value in use which was calculated considering past experience and external information, and discounting the forecast future cash flows based on the management approved business plan to the present value.

The business plan included significant assumptions regarding the impact of recovery in inbound demand from China and other countries, sales expansion in domestic online and catalogue sales channels and overseas markets, and other factors.

37. COMMITMENTS

Commitments for asset acquisitions after the reporting date were as follows:

(¥ millions)

	At December 31, 2022	**At December 31, 2023**
Acquisition of property, plant and equipment	¥ 42,961	**¥ 43,244**
Acquisition of intangible assets	255,973	**161,849**
Total	298,934	**205,093**

Note: The above amounts for acquisition of intangible assets include the maximum amount of milestone payments for the achievement of development and sales goals relating to in-licensing contracts for development products or products in the Pharmaceuticals Business. The actual payments may be significantly different from the above amounts because it is highly uncertain whether a milestone will be achieved.

38. BUSINESS COMBINATIONS

(1) OUTLINE OF THE BUSINESS COMBINATION

On August 10, 2023, the Company acquired 100% of the voting rights in Blackmores Limited through its Australian subsidiaries, Kirin Holdings Australia Pty Ltd and Kirin Health Science Australia Pty Ltd, and obtained control of Blackmores Limited.

1) Name and business of the acquiree

Name of the acquiree	Blackmores Limited
Business outline	Manufacture and sale of nutritional supplements, etc.

2) Principal reason for the business combination

The acquisition of Blackmores Limited will expand the product range and capabilities of the Health Science business and broaden its geographic reach. Furthermore, by leveraging Blackmores Limited's access to a large number of consumers in the Asia-Pacific region through its distribution network, its knowledge of consumer demands, and its deep understanding of country-specific regulations, the Company may further enhance its ability to propose solutions to issues. The acquisition is an opportunity to evolve the Health Science business in both B2B and B2C domains, driving continuous growth in the business and ultimately solving more health-related societal issues.

3) Date of the acquisition

August 10, 2023

4) How the acquirer obtained control of the acquiree

Acquisition of shares for cash consideration

5) Percentage of equity interest acquired

100%

6) Consideration for acquisition

¥161,407 million

(2) ASSETS ACQUIRED AND LIABILITIES ASSUMED

(¥ millions)

Item	Amount
Current assets	¥ 33,524
Non-current assets	105,963
Total assets	139,487
Current liabilities	13,050
Non-current liabilities	30,646
Total liabilities	43,697
Net assets	95,791

The acquisition, including the fair values of assets acquired and liabilities assumed as of the date of the business combination, were accounted for on a provisional basis because the recognition of identifiable assets and liabilities as of that date was still in progress, and the allocation of the acquisition cost was not yet finalized as of December 31, 2023.

(3) GOODWILL ARISING FROM ACQUISITION

(¥ millions)

Item	Amount
Consideration for acquisition	¥ 161,407
Fair value of identifiable net assets acquired by the Group	94,722
Goodwill arising from acquisition	66,684

The amount of goodwill generated was accounted for on a provisional basis because the recognition of identifiable assets and liabilities as of the date of the business combination was still in progress and the allocation of the acquisition cost was not yet finalized as of December 31, 2023. Goodwill represents the excess earning power expected from future business development.

(4) RELATIONSHIP BETWEEN CONSIDERATION FOR ACQUISITION AND EXPENDITURES FOR ACQUISITION OF SHARES OF SUBSIDIARIES

(¥ millions)

Item	Amount
Consideration for acquisition	¥ 161,407
Consideration for acquisition comprising cash and cash equivalents	161,407
Cash and cash equivalents held by the acquiree	4,818
Acquisition of shares of subsidiaries, net of cash acquired	156,589

(5) ACQUISITION-RELATED COSTS

Acquisition-related costs of ¥2,997 million were recorded in other operating expenses.

(6) IMPACT ON THE GROUP

Blackmores Limited generated revenue of ¥31,987 million and profit of ¥1,481 million in the year ended December 31, 2023 since the acquisition date. Assuming the business combination had been performed at the beginning of the year, the consolidated revenue and profit of the Group for the year ended December 31, 2023 would have been ¥2,164,355 million and ¥150,068 million, respectively (pro-forma information). This pro-forma information has not been audited.

39. SUBSEQUENT EVENTS

Acquisition of a company through the purchase of shares/Regarding the purchase of shares in Orchard Therapeutics plc (making it into a subsidiary)

At a meeting of the Board of Directors held on October 5, 2023, Kyowa Kirin Co., Ltd., a subsidiary of the Company, resolved to acquire 100% of the issued shares of the UK-based biopharmaceutical company, Orchard Therapeutics plc (hereinafter referred to as “Orchard”). The acquisition of all Orchard shares through a Scheme of Arrangement procedure under the UK Companies Act 2006 was completed on January 24, 2024. With this acquisition, Orchard has become a wholly owned subsidiary of Kyowa Kirin Co., Ltd.

(1) PURPOSE AND REASON OF THE SHARE ACQUISITIONS

This acquisition of shares marks an important step toward the “creation of innovative pharmaceutical products,” which Kyowa Kirin Co., Ltd. has selected as a materiality (key management issue) for the fulfillment of its 2030 Vision. The gene therapy approach pioneered by Orchard harnesses the unique power of a patient’s own genetically modified hematopoietic stem cells (HSCs) to potentially correct the underlying cause of a genetic disease using a single administration. As a leading provider of hematopoietic stem cell gene therapy (HSC-GT), Orchard is steadily building a track record in this field, having already released an HSC-GT product for the treatment of lysosomal disease in Europe. The product is also under review for approval in the United States. Kyowa Kirin Co., Ltd. seeks to combine its strengths in bio-pharmaceuticals with Orchard’s strengths related to cellular gene therapy research to develop pharmaceuticals to meet future unmet needs and create life-changing value.

(2) NAME, DESCRIPTION OF BUSINESS, AND SIZE OF COMPANY WHOSE SHARES WERE ACQUIRED

1) Name	Orchard Therapeutics plc
2) Location	245 Hammersmith Road, 3rd Floor London W6 8PW United Kingdom
3) Job title and name of representative	Chief Executive Officer: Bobby Gaspar
4) Description of business	Development and commercialization of hematopoietic stem cell gene therapy
5) Share capital	U.S.$29,463 thousand (as of September 30, 2023)
6) Year of establishment	2015

(3) TIMING OF THE ACQUISITION

January 24, 2024

(4) NUMBER OF SHARES ACQUIRED AND ACQUISITION PRICE

1) Number of shares held before change	0 shares (Number of voting rights: 0 rights) (Ownership ratio of voting rights: 0%)
2) Number of shares acquired	22,817,354 shares (Number of voting rights: 18,246,822)
3) Acquisition price	U.S.$16.00 per ADS, approx. U.S.$387.6 million (approx. ¥57.4 billion)
4) Number of shares held after change	22,817,354 shares (Ratio of voting rights held: 100%)

Notes:
1. Calculated at an exchange rate of 1 US dollar to 148 Japanese yen.
2. The number of shares acquired is based on the assumption that all ordinary shares were converted to ADSs. The acquisition price represents the amount required to make payments on all outstanding ordinary shares, ADSs, options, Restricted Stock Units, and other securities. In addition, if the FDA approves OTL-200 for sale in the US, shareholders will be entitled to receive an additional U.S.$1.00 per ADS. An additional U.S.$1.00 will be paid for an acquisition price of U.S.$17.00 per ADS, or approximately U.S.$477.8 million (¥70.7 billion) if the conditions are met.

40. ADDITIONAL INFORMATION

Change in reportable segments

For the year ended December 31, 2023, the Group identified its reportable segments as “Japan Beer and Spirits Businesses,” “Japan Non-alcoholic Beverages Business,” “Oceania Adult Beverages Business” and “Pharmaceuticals Business.” From the year ending December 31, 2024, the Group has reorganized its reportable segments into “Alcoholic Beverages Business,” “Non-alcoholic Beverages Business,” “Pharmaceuticals Business,” and “Health Science Business.”
“KV2027” sets the Long-Term Management Vision for the Group to become a global leader in CSV, creating value across our world of Food & Beverages and Pharmaceuticals domains. To achieve the Long-Term Management Vision, the Company is working on making the Health Science domain a third pillar of the Company’s business and acquired 100% of the shares of Blackmores Limited, an Australian- based company, to make it a subsidiary during the year ended December 31, 2023. With this acquisition, the Group will expand its business scale in the Health Science domain. Accordingly, the Board meeting held on November 20, 2023 resolved a change in the internal monitoring units of the Group from the year ending December 31, 2024.
Therefore, the Group determined “Alcoholic Beverages Business,” “Non-alcoholic Beverages Business,” (Food & Beverages domain) “Pharmaceuticals Business,” (Pharmaceuticals domain) and “Health Science Business.” (Health Science domain) to be disclosed separately as reportable segments from the year ending December 31, 2024.
Information on revenue and income or loss of each reportable segment for the year ended December 31, 2023 based on the new segments is as follows:

At and for the year ended December 31, 2023

(¥ millions)

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Alcoholic Beverages	Non-alcoholic Beverages	Pharmaceu-ticals	Health Science			
Revenue from unaffiliated customers	1,045,138	516,171	441,882	103,354	27,847	—	2,134,393
Inter-segment revenue	2,336	2,771	351	4,694	66,241	(76,393)	—
Total revenue	1,047,473	518,942	442,233	108,048	94,089	(76,393)	2,134,393
Segment income (loss) (Note 3)	119,939	52,358	95,968	(12,535)	(60)	(54,175)	201,495

Notes:
1. “Others” includes segments which are not included in the reportable segments.
2. Adjustments are as follows: Adjustment in segment income (loss) mainly includes inter-segment eliminations and corporate expenses not attributable to any reportable segment. The expenses are mainly group administrative expenses incurred by the Company, a holding company, and administrative expenses relating to some reportable segments incurred by shared services companies.
3. Segment income (loss) represents normalized operating profit which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue.

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

March 28, 2024

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

KPMG AZSA LLC
Tokyo Office, Japan

Isao Kamizuka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masahiro Sasaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshihiro Fujioka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kirin Holdings Company, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the company's Annual Securities Report, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We determined that "Reasonableness of the valuation of the equity-accounted investments in FANCL CORPORATION," which is mentioned below, was a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

For "Reasonableness of the valuation of goodwill allocated to the Bio-chemicals business and its property, plant and equipment," which was the key audit matter from the previous fiscal year, we assessed the risk of material misstatement was mitigated because the qualitative and quantitative materiality of the relevant goodwill and property, plant and equipment decreased after the recognition of an impairment loss on them for the previous fiscal year. In addition, the estimation uncertainty and subjectivity of the Company's management decreased in the current fiscal year resulting from our risk assessment based on our understanding of the Company and its business environment. As a result, the relative materiality decreased in our audit of the consolidated financial statements, and accordingly, we determined the matter no longer a key audit matter for the current fiscal year.

<table>
<tr><th colspan="2">Reasonableness of the valuation of equity-accounted investments in FANCL CORPORATION</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 36. "Equity-accounted investees" to the consolidated financial statements, Kirin Holdings Company, Limited (the "Company") recognized investments in FANCL CORPORATION ("FANCL") of ¥128,723 million (4.5% of total assets) at the end of the current fiscal year.

Equity-accounted investments need to be tested for impairment whenever there is an impairment indicator. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.

As fair value of the investments in FANCL has decreased from the acquisition cost over time and there was an impairment indicator for the investments, the Company performed impairment testing at the end of the current fiscal year. After reviewing the results of the impairment testing, the Company recognized no impairment loss, as the recoverable amount exceeded the carrying amount.

The recoverable amount of the equity-accounted investments in FANCL in the impairment testing was measured based on the value in use. The value in use was calculated by discounting the estimated future cash flows based on management's approved business plan of FANCL to the present value.

The business plan used as the basis for calculating the value in use included significant assumptions for the recovery of inbound demand from China and other countries, and the increase in sales of the domestic online shopping channel and overseas markets. As the estimates thereof involved uncertainty, they had a significant effect on the calculation of the value in use. In addition, selecting appropriate models and input data for determining the discount rate and perpetual growth rate used to calculate the value in use required a high degree of valuation expertise.

We, therefore, determined that our assessment of the reasonableness of the valuation of the equity-accounted investments in FANCL was one of the most significant matters in our audit of the consolidated</td><td>The primary procedures we performed to assess the reasonableness of the valuation of goodwill related to the equity-accounted investments in FANCL included the following:

(1) Internal control testing
We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the calculation of the value in use used in the impairment testing of equity-accounted investments, with a particular focus on the controls to validate the reasonableness of the estimated future cash flows.

(2) Assessment of the reasonableness of the estimated value in use
In order to assess the appropriateness of key assumptions underlying the business plan of FANCL used as the basis for calculating the value in use, we:
・inquired of management of FANCL about the rationales for key assumptions and inquired of management of the Company about the details of the assessment of the appropriateness of the assumptions;
・assessed the consistency of assumptions regarding the recovery of inbound demand from China and other countries with the most recent available external information on market forecasts for the number of passengers, and conducted trend analysis based on the past years' actual results;
・assessed the consistency of assumptions regarding the increase in sales of the domestic online shopping channel with online shopping market forecasts published by external organizations, and conducted trend analysis based on the past years' actual results; and
・assessed the consistency of assumptions regarding the increase in sales of overseas markets with overseas market forecasts published by external organizations.

In addition, we performed the following procedures by involving valuation specialists within our network firms who assisted with our evaluation of the discount rate and perpetual growth rate used to calculate the value in use:
・evaluated the appropriateness of the models used for determining the discount rate and perpetual growth</td></tr>
</table>

financial statements for the current fiscal year, and accordingly, a key audit matter.	rate based on the requirements of the accounting standards; and ・ compared input data used for determining the discount rate and perpetual growth rate with market data published by external organizations obtained by the valuation specialists.

Other Information

The other information comprises the information included in the Annual Securities Report , but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.

・ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Kirin Holdings Company, Limited as at December 31, 2023, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at December 31, 2023, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the Internal Control Report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in CORPORATE GOVERNANCE, (3) [AUDITS] included in "INFORMATION ABOUT REPORTING COMPANY ."

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

<u>Notes to the Reader of Audit Report</u>:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document filed]	Internal Control Report (*Naibutosei Hokokusho*)
[Clause of stipulation]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director-General, Kanto Local Finance Bureau
[Filing date]	March 28, 2024
[Company name]	Kirin Holdings Kabushiki Kaisha
[Company name in English]	Kirin Holdings Company, Limited
[Title and name of representative]	Takeshi Minakata, President & Chief Operating Officer
[Title and name of Chief Financial Officer]	Shinjiro Akieda, Director of the Board & Senior Executive Officer
[Address of registered head office]	10-2, Nakano 4-chome, Nakano-ku, Tokyo, Japan
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. BASIC FRAMEWORK OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Takeshi Minakata, President & Chief Operating Officer, and Shinjiro Akieda, Director of the Board & Senior Executive Officer, are responsible for designing and operating effective internal control over financial reporting of Kirin Holdings Company, Limited (the “Company”) and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in the report “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” released by the Business Accounting Council.

The internal control system is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. ASSESSMENT SCOPE, TIMING AND PROCEDURES

The assessment of internal control over financial reporting was performed as of December 31, 2023 which is the end of the fiscal year under review. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our overall financial reporting on a consolidated basis (“entity-level controls”) and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company’s financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-accounted investees, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined by taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for the Company, its consolidated subsidiaries and equity-accounted investees, we reasonably determined the scope of assessment of internal controls over business processes. Consolidated subsidiaries and equity-accounted investees determined to have an insignificant quantitative and qualitative influence on the reliability of financial reporting are not included in the scope of assessment of entity-level controls.

For the scope of assessment for internal control over business processes, five business locations of the Group were selected as significant business locations by aggregating revenue planned for the fiscal year under review for each business location until their aggregated amount accounted for two thirds of consolidated revenue planned for the fiscal year (after the elimination of transactions between consolidated companies). At selected significant business locations targeted for assessment, our scope of assessment included business processes leading to revenue, accounts receivable, trade and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant business locations, we also included in the scope of assessment for other business locations, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management’s judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. RESULTS OF ASSESSMENT

The above assessments determined that the Company’s internal control over financial reporting was effective as of the last day of the fiscal year under review.

4. SUPPLEMENTARY INFORMATION

Not applicable.

5. OTHER

Not applicable.