

KIRIN HOLDINGS COMPANY, LIMITED

Annual Securities Report
("Yukashoken Hokokusho")

For the year ended December 31, 2021

This is an English translation of the original Annual Securities Report (extracted) filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' Network ("EDINET") on March 30, 2022, 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 damages arising from the translation. The translation of the Independent Auditor's Report and Internal Control Report for the original Annual Securities Report are included at the end of this document.

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[Cover]

[Document filed]	Annual Securities Report (<i>Yukashoken Hokokusho</i>)
[Clause of stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director-General, Kanto Local Finance Bureau
[Filing date]	March 30, 2022
[Fiscal year]	The 183 rd fiscal year (January 1, 2021 through December 31, 2021)
[Company name]	Kirin Holdings Kabushiki Kaisha
[Company name in English]	Kirin Holdings Company, Limited
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[Address of registered head office]	10-2, Nakano 4-chome, Nakano-ku, Tokyo, Japan
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[Name of contact person]	Nobuhiko Hori, General Manager of Corporate Communications Department
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya) Securities Membership Corporation Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka) Securities Membership Corporation Sapporo Securities Exchange (14-1, Minami-ichijo-nishi 5-chome, Chuo-ku, Sapporo)

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	International Financial Reporting Standards				
	179 th	180 th	181 st	182 nd	183 rd
Fiscal year ended	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Revenue (¥ millions)	1,863,730	1,930,522	1,941,305	1,849,545	1,821,570
Profit before tax (¥ millions)	233,711	246,852	116,823	124,550	99,617
Profit attributable to owners of the Company (¥ millions)	241,991	164,202	59,642	71,935	59,790
Comprehensive income attributable to owners of the Company (¥ millions)	285,681	104,093	54,134	64,028	109,631
Equity attributable to owners of the Company (¥ millions)	947,162	906,578	906,576	838,584	894,179
Total assets (¥ millions)	2,398,572	2,303,624	2,412,874	2,459,363	2,471,933
Equity per share attributable to owners of the Company (¥)	1,037.87	1,032.55	1,043.57	1,005.96	1,072.69
Basic earnings per share (¥)	265.17	183.57	68.00	85.57	71.73
Diluted earnings per share (¥)	265.14	183.53	67.98	85.54	71.70
Equity ratio attributable to owners of the Company (%)	39.5	39.4	37.6	34.1	36.2
Ratio of profit to equity attributable to owners of the Company (%)	29.5	17.7	6.6	8.2	6.9
Price earnings ratio (times)	10.71	12.52	35.15	28.45	25.75
Cash flows from operating activities (¥ millions)	221,710	198,051	178,826	164,839	219,303
Cash flows from investing activities (¥ millions)	63,214	47,389	(175,619)	(115,981)	(56,408)
Cash flows from financing activities (¥ millions)	(182,163)	(226,699)	(9,997)	(52,474)	(180,463)
Cash and cash equivalents at end of year (¥ millions)	161,987	173,102	165,671	161,667	149,488
Number of employees [separately, average number of temporary employees] (persons)	31,033 [6,841]	30,464 [5,912]	31,040 [4,677]	31,151 [5,063]	29,515 [4,077]

Notes:

1. The Kirin Group's consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") since the 179th fiscal year.
2. Revenue does not include consumption taxes.
3. Amounts are rounded to the nearest ¥1 million.
4. The amounts of revenue and profit before tax are those from continuing operations.
5. The Company has retroactively adjusted the tax effects on intangible assets acquired through business combination in the 179th and 180th fiscal years as a result of a change in accounting policy in the 181st fiscal year.

Fiscal year	Japanese GAAP	
	179 th	
Fiscal year ended	December 31, 2017	
Sales (¥ millions)	1,970,830	
Ordinary income (¥ millions)	160,980	
Net income attributable to owners of the Company (¥ millions)	128,627	
Comprehensive income (¥ millions)	299,284	
Net assets (¥ millions)	1,198,625	
Total assets (¥ millions)	2,345,846	
Net assets per share (¥)	1,009.13	
Net income per share (¥)	140.95	
Net income per share (diluted) (¥)	140.93	
Ratio of equity to total assets (%)	39.3	
Return on equity (%)	16.1	
Price earnings ratio (times)	20.15	
Cash flows from operating activities (¥ millions)	200,969	
Cash flows from investing activities (¥ millions)	75,855	
Cash flows from financing activities (¥ millions)	(174,648)	
Cash and cash equivalents at end of year (¥ millions)	154,724	
Number of employees [separately, average number of temporary employees] (persons)	31,093 [6,732]	

Notes:

1. The figures for the 179th fiscal year are not subject to audit pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.
2. Sales do not include consumption taxes.
3. Amounts are rounded to the nearest ¥1 million.

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

Fiscal year		179 th	180 th	181 st	182 nd	183 rd
Fiscal year ended		December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Sales	(¥ millions)	78,715	106,823	138,629	138,798	139,504
Ordinary income	(¥ millions)	62,686	95,698	77,666	72,043	73,830
Net income	(¥ millions)	182,575	190,876	147,226	79,333	77,251
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)	950,372	981,492	1,041,712	987,054	1,007,022
Total assets	(¥ millions)	1,727,187	1,701,443	1,945,335	1,969,497	1,996,761
Net assets per share	(¥)	1,041.38	1,117.87	1,199.12	1,184.06	1,208.06
Dividend per share	(¥)	46.00	51.00	64.00	65.00	65.00
[Of which, interim dividend per share]	(¥)	[20.50]	[24.00]	[31.50]	[32.50]	[32.50]
Net income per share	(¥)	200.07	213.39	167.87	94.37	92.67
Net income per share (diluted)	(¥)	—	—	—	—	—
Ratio of equity to total assets	(%)	55.0	57.7	53.5	50.1	50.4
Return on equity	(%)	20.86	19.76	14.55	7.82	7.75
Price earnings ratio	(times)	14.20	10.77	14.24	25.79	19.93
Dividend payout ratio	(%)	22.99	23.9	38.1	68.9	70.1
Number of employees	(persons)	18	20	1,070	1,117	1,156
Total shareholder return	(%)	151.8	126.0	134.2	139.9	112.4
[Benchmark: Dividend-included TOPIX]	(%)	[122.2]	[102.7]	[121.3]	[130.3]	[146.9]
Highest stock price	(¥)	2,948.50	3,199.00	2,729.00	2,591.00	2,430.00
Lowest stock price	(¥)	1,792.00	2,163.00	2,033.00	1,826.00	1,788.00

Notes:

1. Sales do not include consumption taxes.
2. Net income per share (diluted) is not stated because there were no potentially dilutive shares.
3. The number of employees of the reporting company includes those seconded to the reporting company from its subsidiaries, affiliates, etc.
4. Amounts are rounded to the nearest ¥1 million.
5. The highest and lowest stock prices are quoted prices on the First Section of the Tokyo Stock Exchange.

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 Kirin Co., Ltd.) established.
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 <i>ESPO</i> ®, 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 <i>NESP</i> ®, 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. * Executes a share purchase agreement in February 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.
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.
October 2018	Acquires a stake in Thorne Research, Inc. (the forerunner of Thorne HealthTech, Inc.)
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.
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.

3. DESCRIPTION OF BUSINESS

The Kirin Group, which has introduced a pure holding company structure, consists of the Company, 145 consolidated subsidiaries, and 31 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 under 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. As the Oceania Non-alcoholic Beverages business was transferred on January 25, 2021, the "Oceania Integrated Beverages Business" segment has been renamed the "Oceania Adult Beverages Business" segment from the fiscal year ended December 31, 2021.

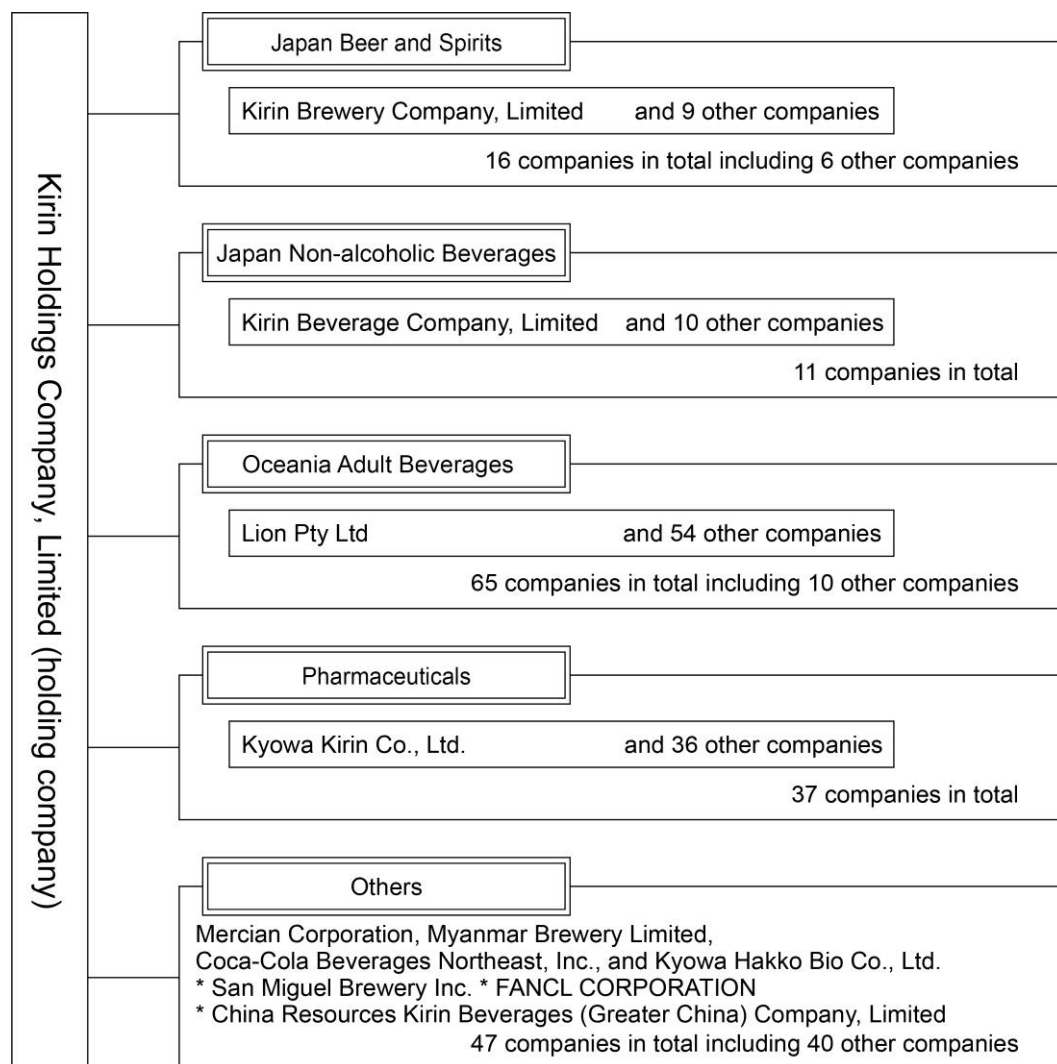
Pharmaceuticals Business

This segment, for which Kyowa Kirin Co., Ltd. (a consolidated subsidiary of the Company and listed on the First Section 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. Myanmar Brewery Limited (a consolidated subsidiary of the Company) conducts production and sale of beer in Myanmar. 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. 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. China Resources Kirin Beverages (Greater China) Company, Limited (an equity-accounted investee of the Company) conducts production and sale of soft drinks in China. On February 16, 2022, the Company executed an agreement to transfer all of its shares in China Resources Kirin Beverages (Greater China) Company, Limited. The details are as described in "V. FINANCIAL INFORMATION, Notes to Consolidated Financial Statements, 39. SUBSEQUENT EVENTS."

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



No symbol: Consolidated subsidiaries

*: Equity-accounted investees

4. SUBSIDIARIES AND ASSOCIATES

(1) 145 CONSOLIDATED SUBSIDIARIES

Name	Location	Share capital or investments in capital (¥ millions)	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	Leasing of equipment Concurrent appointments of officers: Yes
Lion Pty Ltd *1, *6	New South Wales, Australia	A\$7,530,940 thousand	Oceania Adult Beverages	100.0	Concurrent appointments of officers: Yes
Kirin Foods Australia Holdings Pty Ltd *1, *6	New South Wales, Australia	A\$500,000 thousand	Oceania Adult Beverages	100.0 (100.0)	None
Lion-Beer, Spirits & Wine Pty Limited *1, *6	New South Wales, Australia	A\$1,500,000 thousand	Oceania Adult Beverages	100.0 (100.0)	None
Lion (NZ) Limited *1, *6	Auckland, New Zealand	A\$326,716 thousand	Oceania Adult Beverages	100.0 (100.0)	None
New Belgium Brewing Company, Inc. *6	Colorado, USA	U.S.\$1,000	Oceania Adult beverages	100.0 (100.0)	None
Lion Global Craft Beverages Pty Ltd *1, *6	New South Wales, Australia	A\$259,449 thousand	Oceania Adult Beverages	100.0	None
Fermentum Pty Ltd *6	New South Wales, Australia	A\$30,304 thousand	Oceania Adult Beverages	100.0 (100.0)	None
Kyowa Kirin Co., Ltd. *1, *2, *5	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
Mercian Corporation	Nakano-ku, Tokyo	3,000	Others	100.0	Lending of funds, leasing and renting of equipment Concurrent appointments of officers: Yes
Kirin Holdings Singapore Pte, Ltd.*1	Singapore	A\$4,925,072 thousand	Others	100.0	None
Myanmar Brewery Limited	Yangon, Myanmar	MMK16,207 million	Others	51.0 (51.0)	Concurrent appointments of officers: Yes
Mandalay Brewery Limited	Mandalay, Myanmar	U.S.\$12,572 thousand	Others	51.0 (51.0)	None
Interfood Shareholding Company	Dong Nai, Vietnam	VND871,410 million	Others	95.7 (95.7)	None
Coca-Cola Beverages Northeast, Inc.	New Hampshire, USA	U.S.\$930 thousand	Others	100.0	Concurrent appointments of officers: Yes
Kyowa Hakko Bio Co., Ltd.	Chiyoda-ku, Tokyo	10,000	Others	100.0 (5.0)	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
Other 116 companies	—	—	—	—	—

(2) 31 EQUITY-ACCOUNTED INVESTEEES

Name	Location	Share capital or investments in capital (¥ millions)	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
Heineken Kirin Co., Ltd.	Chuo-ku, Tokyo	200	Japan Beer and Spirits	49.0 (49.0)	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	32.8	Concurrent appointments of officers: Yes
China Resources Kirin Beverages (Greater China) Company, Limited *7	British Virgin Islands	U.S.\$1,000	Others	40.0	Concurrent appointments of officers: Yes
Thorne HealthTech, Inc.	New York, USA	U.S.\$525,146	Others	29.8	Concurrent appointments of officers: Yes
Other 24 companies	—	—	—	—	—

Notes:

- Principal business represents the segment names.
- Figures in parentheses in the ratio of voting rights represent the ratio of indirect ownership.
- *1: Specified subsidiaries
- *2: Companies filing the Annual Securities Report
- *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):
 - Revenue: 638,290
 - Profit before tax: 29,649
 - Profit: 21,095
 - Total equity: 60,248
 - Total assets: 399,015
- *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):
 - Revenue: 218,078
 - Profit before tax: 10,838
 - Profit: 5,191
 - Total equity: 50,899
 - Total assets: 129,408
- *5: 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 the Annual Securities Report.
- *6: As a result of transferring the Oceania Non-alcoholic Beverages business on January 25, 2021, “Oceania Integrated Beverages Business” segment has been renamed to “Oceania Adult Beverages Business” segment from the fiscal year ended December 31, 2021.
- *7: The Company agreed to transfer its equity interest in China Resources Kirin Beverages (Greater China) Company, Limited to Plateau Consumer Limited and executed a share purchase agreement on February 16, 2022.

5. EMPLOYEES

(1) INFORMATION ABOUT CONSOLIDATED COMPANIES

As of December 31, 2021

Segment	Number of employees (persons)
Japan Beer and Spirits	4,315 [890]
Japan Non-alcoholic Beverages	3,568 [505]
Oceania Adult Beverages	3,502 [516]
Pharmaceuticals	5,752 [211]
Others	10,914 [1,955]
Administration	1,464 [-]
Total	29,515 [4,077]

Notes:

1. The number of employees indicates the number of employees currently on duty.
2. The number of temporary employees indicated separately 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, 2021

Number of employees (persons)	Average age (year-old)	Average length of service (years)	Average annual salary (yen)
1,156	42.74	15.7	8,709,533

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 counting the years of service differs depending on the employment status and the companies dispatching employees.
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.

II. OVERVIEW OF BUSINESS

1. MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES

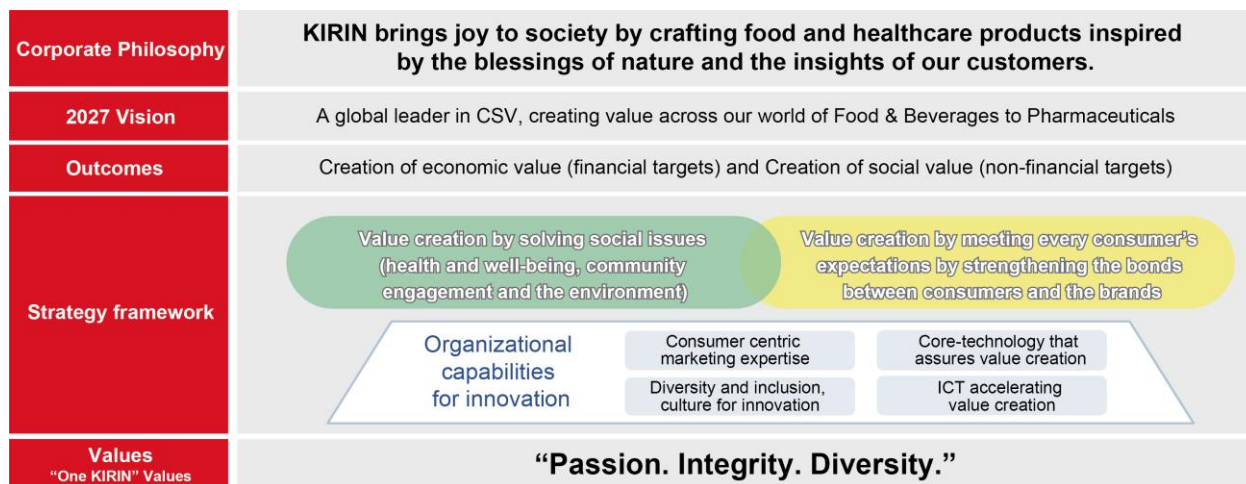
Forward-looking statements contained in this document are based on the assessment that Kirin Holdings made as of the end of this fiscal year. These statements are not guarantees of future performance.

(1) BASIC MANAGEMENT POLICY

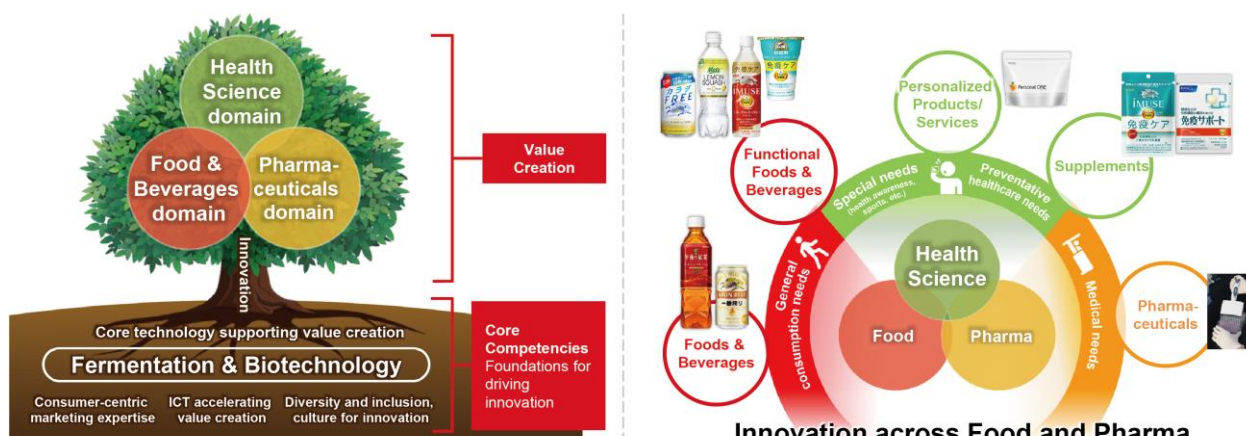
In FY2019, Kirin Holdings formulated the *Kirin Group Vision 2027* (KV2027), Kirin Holdings' new Long-Term Management Vision toward 2027. As a long-term non-financial goal for the realization of KV2027, Kirin Holdings also formulated Kirin Group CSV Purpose (CSV Purpose), a guideline for co-creating 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.



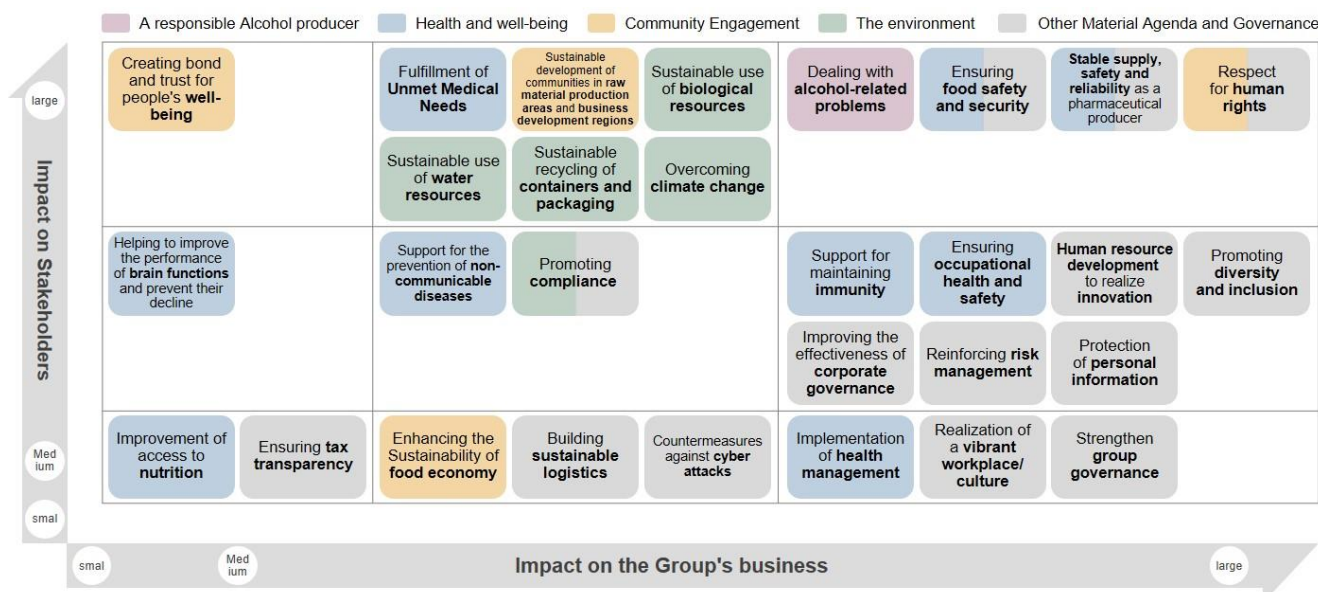
To create value across our world of Food & Beverages to Pharmaceuticals, Kirin Holdings established the Health Science domain to takes advantage of its unique strengths, in addition to the existing business domains, namely the Food & Beverages domain (alcoholic and non-alcoholic beverages businesses) and the Pharmaceuticals domain (Pharmaceuticals Business). In the Health Science domain, Kirin Holdings will grow 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 will further develop 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)

Kirin Holdings has organized its Management Issues for Sustainable Growth (Kirin Holdings Materiality Matrix (GMM)), which outlines the challenges it should address to operate and develop sustainably in partnership with society. The Group evaluates the GMM from the two perspectives of impact on its business and impact on stakeholders. 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

In re-evaluating the GMM, Kirin Holdings re-designated four key issues as CSV Purposes, which are the fulfillment of its role as A Responsible Alcohol Producer, Health and Well-being, Community Engagement, and The Environment. The COVID-19 pandemic and other challenges made human connections tenuous and prompted people to realize the importance of community. Based on this, Kirin Holdings redefined “Community Engagement.” The Group redefines human connection formed in different ways in the broad sense and promotes its CSV management through achieving people’s well-being and social capital. 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.

Key CSV issue	CSV Purpose
A Responsible Alcohol Producer	Make steady progress toward eradicating the harmful use of alcohol in all countries of operation. (Zero Harmful Drinking)
Health and Well-being	Raise the number of healthy people, lower the number of sick people, and contribute to the people who are involved in the healthcare.
Community Engagement	Create positive forces for people’s well-being and society by developing communities.
The Environment	Enrich a sustainable Earth for future generations through positive impact.



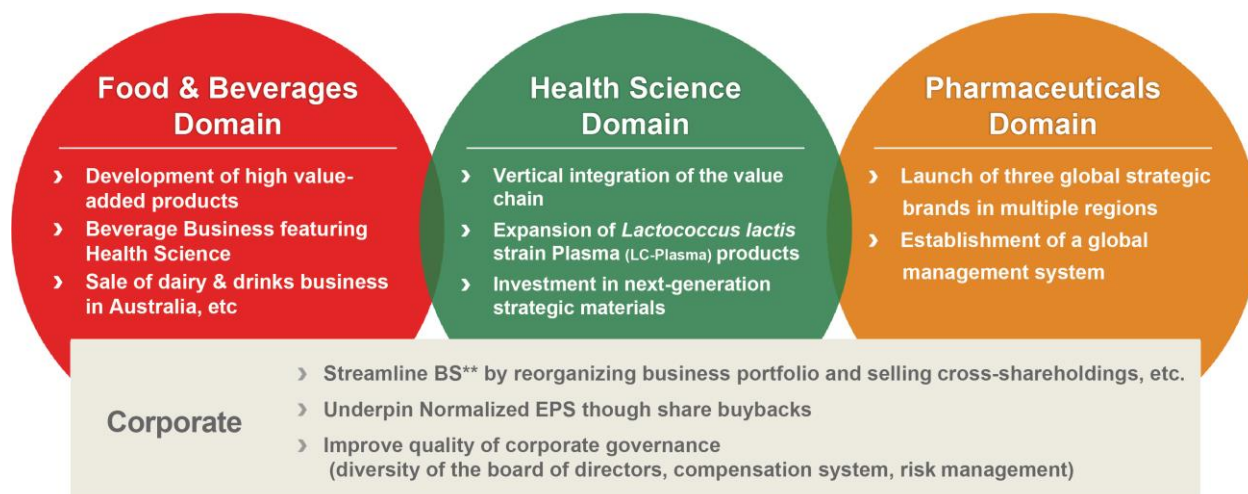
Reference:

- 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 commitment
URL: https://www.kirinholdings.com/en/impact/csv_management/commitment/

(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 will start in FY2022. For example, we have strengthened our corporate governance system so as to grow each of our businesses in a sound way.



** Balance Sheet

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 will be the stage for shifting 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 will concentrate our management resources by strengthening portfolio management and clarifying investment priorities.



Basic Policy

Based on the outcome produced by FY2021, we will accelerate 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. With a focus on the environment, health and well-being, and employees, we have selected indicators that are linked to business growth for each of the topics. We will continue to strive to improve corporate value by solving social issues.

1. 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. Normalized operating profit and ROA are KPIs for all businesses.

*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)

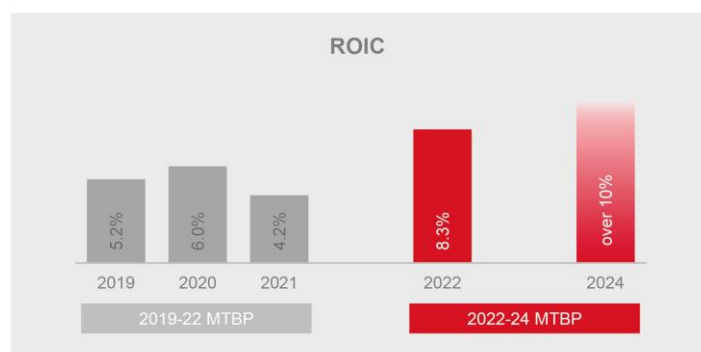
*3 Normalized EPS = Normalized profit / Average number of shares outstanding during period

Normalized profit = Profit attributable to owners of the Company ± Other operating income and expenses and other items after income taxes

Capital Efficiency

ROIC

10% +



Shareholder Value

Normalized EPS Growth Rate (CAGR)

11% +*



* Base year FY2021. Excludes the impact of 50.0bn yen share buyback announced in FY2022.

Guidance

Normalized OP Growth Rate (CAGR) 13%+

2. Non-financial targets

Before			After				
Items	Themes	Non-financial Targets	Items	Themes	Non-financial Indicators ^{New}	Target Level in 2024	Links to Economic Value
CSV Commitment	ARP	CSV Commitment Approx. 20 Commitments Approx. 40 Performance Indicators	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
	Health			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
	Community				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)
	Environment						
Brand	Organizational Capabilities	Corporate Brand Value Scores from nterbrand Japan	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
Employees	Organizational Culutre	Employee Engagement Employee engagement score			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
					Employee engagement score	75%	Profit generation through value creation and productivity improvement
					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
			Lost time injury frequency rate^{*3}	0.95 (0.40 in Japan)	Raise motivation and productivity by improving working environment		

Indicators linked to economic value more directly

^{*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.

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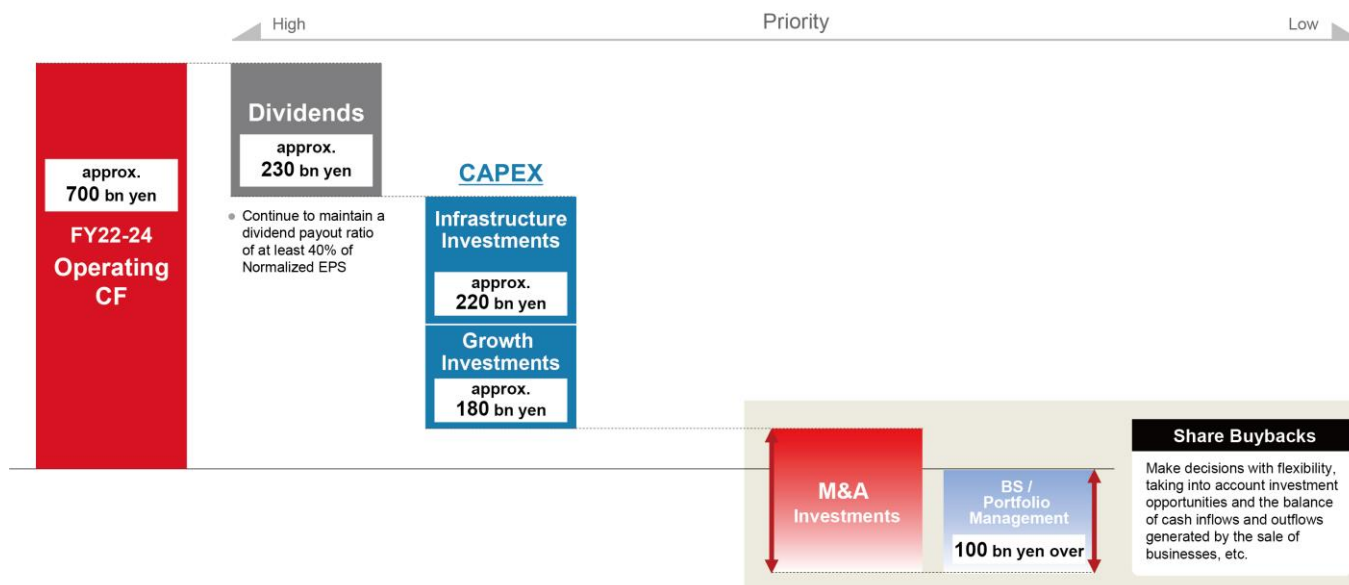
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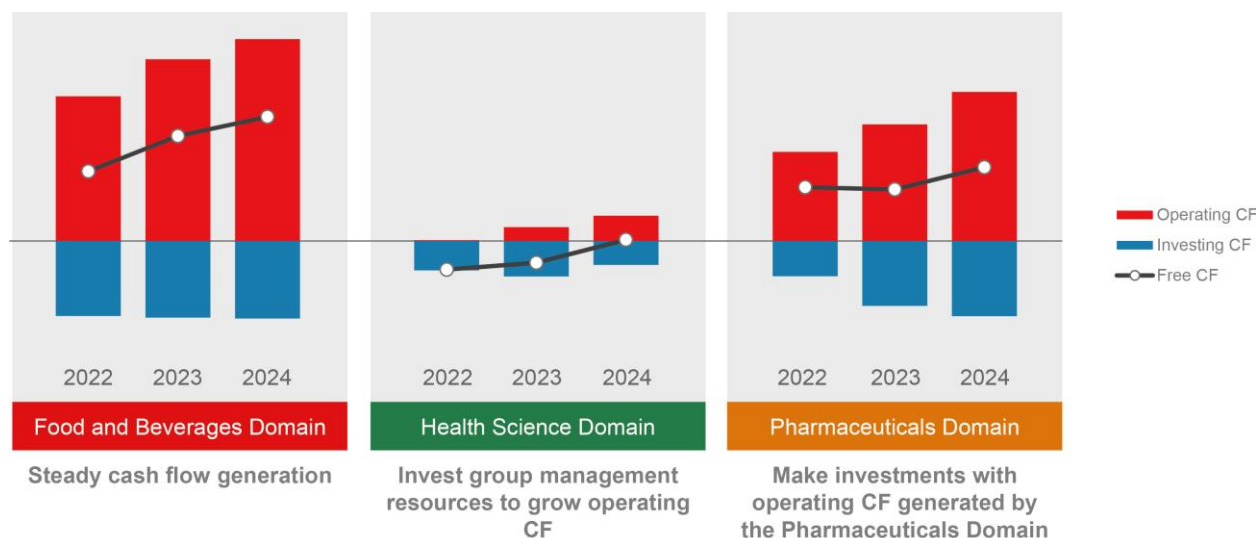
Financial Policy

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 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 will also explore 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 will examine 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 will keep the amount of investment below a certain level and aim to maximize cash flows from operating activities through profit growth. In the Health Science domain, we aim to generate positive free cash flow in FY2024, while making 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 will make 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.

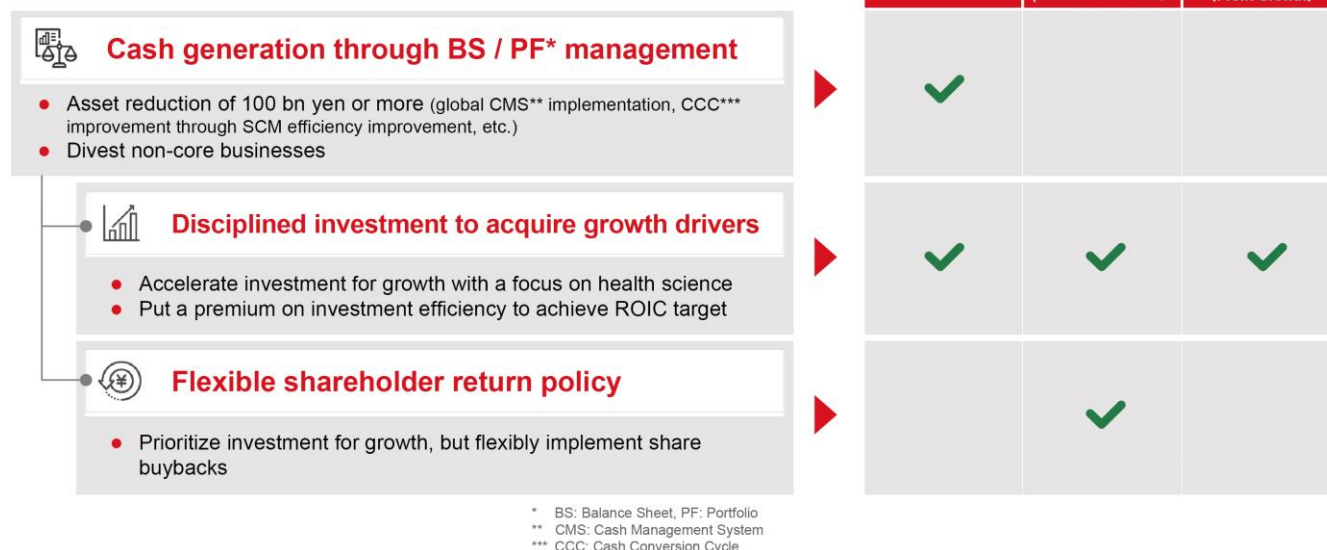


In addition to the cash flow plan, we also emphasize balance sheet management in the 2022–2024 MTBP. We seek to optimize working capital by centralizing cash held by the Group companies in Japan and abroad on the global cash management system that we introduced in 2021 and to improve the cash conversion 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 share 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.

Outline of Finance Strategy



Non-financial Policy

We will put more effort into non-financial initiatives in accordance with the basic policy of the 2022–2024 MTBP. We will 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. In light of stakeholder expectations in addition to the strengthening of our organizational capabilities, we have set again non-financial targets so that they are directly connected to economic value. We will improve the steps of input–business–output in our Value Creation Model and produce greater outcomes to promote CSV management.

- Non-financial promotion organization

The Group CSV Committee, chaired by the President & CEO of Kirin Holdings, discusses the formulation of CSV policies, strategies and action plans, and monitors the implementation of these plans in order to actively and voluntarily promote CSV management. In order to enhance the effectiveness of the CSV policies and strategies decided by the Group CSV Committee, we have established a regular CSV staff 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 an officer in charge of CSV strategies, the Group Human Rights Committee chaired by an officer responsible for Personnel & General Affairs Strategy, and the Group Health and Productivity Management Committee. These committees promote addressing individual issues related to sustainability. (Figure 2)

Figure 1

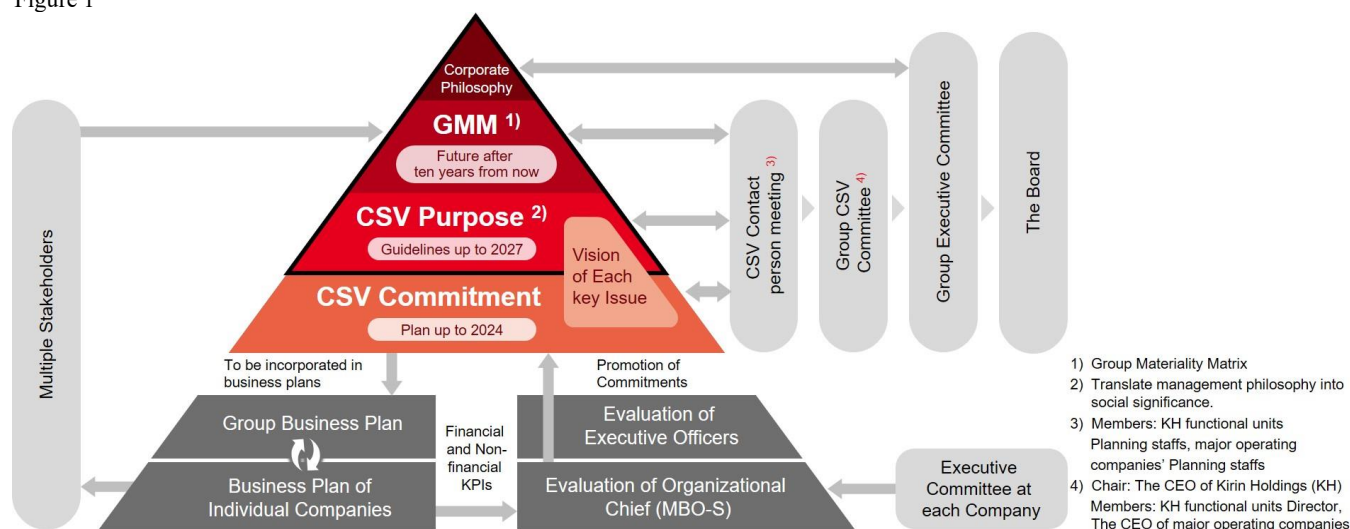
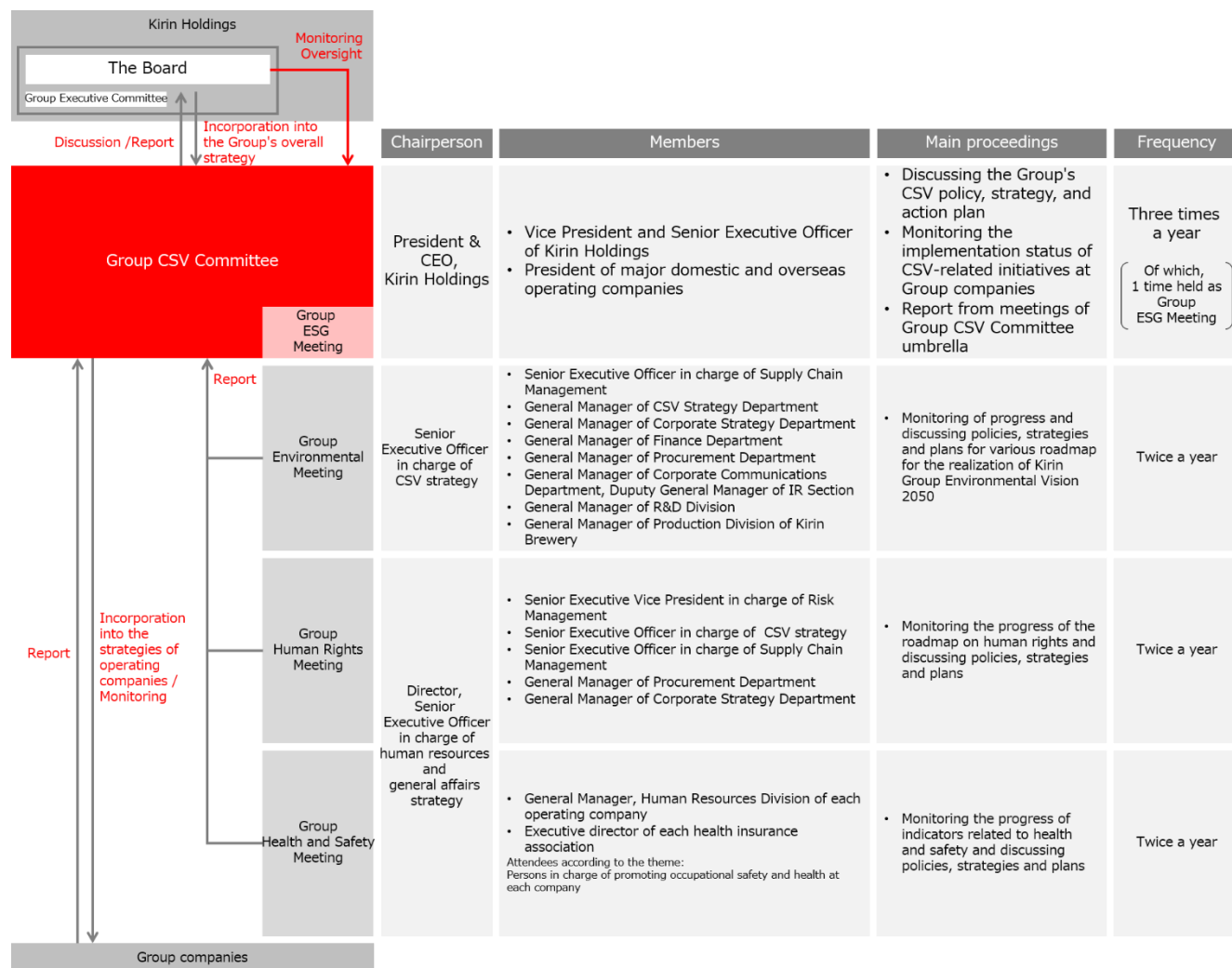


Figure 2









● Non-financial disclosure


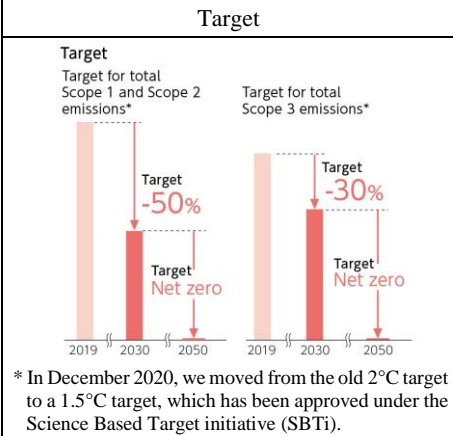

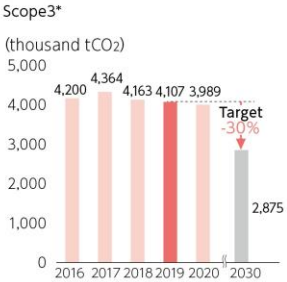
Kirin Holdings assesses social and business risks and opportunities relating to climate change as well as the resilience of our strategies, and actively discloses such information to a variety of stakeholders.

Complying with TCFD Guidelines

Based on the recommendations released in 2017 by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB), Kirin Holdings began conducting and disclosing scenario analyses in 2018 and also became the first Japanese food company to declare its support for the TCFD recommendations. In 2020, we input the results of the scenario analyses to formulate Kirin Holdings' Environmental Vision 2050. This vision statement is now being reflected in our strategies for mitigation, adaptation and business opportunities. Starting in the 2022–2024 MTBP, the Vision is also being reflected in the Group's non-financial targets and CSV commitment and updated to accelerate efforts.

Item	Description
Governance	<p>At Kirin Holdings, the Board deliberates and makes resolutions on significant matters, such as basic policies related to the environment as a whole, including climate change issues, while the Group Executive Committee deliberates and makes decisions concerning the setting of targets, such as upgrading to a SBT1.5°C target and joining RE100. Kirin Holdings sets environmental targets, including reduction of GHG emissions, as part of its CSV Commitment, a non-financial key performance indicator. We incorporate these targets into the management plans of each operating company, and reflect progress in achieving them in the performance evaluations of Directors of the Board (excluding Non-executive Directors) and Executive Officers of Kirin Holdings.</p> <p>The Group CSV Committee, which is chaired by the President & CEO of Kirin Holdings and whose members consist of Presidents and CEOs of key operating companies and Directors responsible for functional units of Kirin Holdings, discusses responses to environmental issues across the Kirin Group and submits any decisions it makes to the Board. Every year, the Board receives reports on and reviews progress in environmental management and risks and growth opportunities related to environmental issues.</p>

Item	Description																																																
Strategy	<p>Following the adoption of the Paris Agreement in 2015, the IPCC special report on the impacts of global warming of 1.5°C in 2018, and the results of scenario analysis, Kirin Holdings revised its environmental vision, which forms a long-term strategy, enhanced its targets, and incorporated them into its management strategy. As mitigation measures, in order to achieve net zero GHG emissions across the entire value chain by 2050, we have upgraded our SBT to the 1.5°C target, and we will address transitional risks by expanding the use of renewable energy and making efforts to save energy. We are moving forward with initiatives in line with a roadmap formulated to achieve the SBT1.5°C target by working on the reduction of GHG emissions based on the approach of profit and loss neutral*5 and on renewable energy with a focus on additionality*6. As adaptation measures, we will respond to physical risks with technologies for utilizing alternative sugars that do not depend on barley, mass plant propagation technologies, technologies that reduce water usage, our support for the acquisition of sustainable farming certification, etc. We will also contribute to solving social issues caused by climate change, such as the spread of heatstroke and infectious diseases, by providing products that offer solutions.</p> <p>Risks and opportunities</p> <table><tr><th>Risks and opportunities</th><th>Affected item</th><th>Financial impact</th><th>Response strategies</th></tr><tr><td>Physical risk</td><td>Decline in yields of agricultural products, procurement costs</td><td><p>Impact of decline in yields on agricultural product procurement costs (2050)</p><p>(Millions of yen)</p><p>Approx. 12.0 billion yen 0.62%</p><p>Approx. 3.0 billion yen 0.16%</p><p>Approx. 1.0 billion yen 0.06%</p><p>Current situation 2°C scenario 4°C scenario</p></td><td><ul style="list-style-type: none">Brewing technology that is not dependent barleyMass plant propagation technologiesSupport for farms to acquire sustainable farming certifications<div><p>Mass plant propagation technology Product using tea from certified farms</p></div></td></tr><tr><td>Transition risk</td><td>Increase in energy costs due to carbon pricing</td><td><table><tr><th colspan="2">Scenario</th><th colspan="2">Group Scenario 3 (4° C Scenario)</th></tr><tr><th></th><th>Year</th><th>2030</th><th>2050</th></tr><tr><td rowspan="2">If GHG emissions are not reduced</td><td>Carbon taxes(Billions of yen)</td><td>1.3</td><td>1.7</td></tr><tr><td>Percentage of revenue</td><td>0.07%</td><td>0.09%</td></tr><tr><td rowspan="2">If we reduce GHG emissions in line with targets</td><td>Carbon taxes(Billions of yen)</td><td>0.6</td><td>0</td></tr><tr><td>Percentage of revenue</td><td>0.03%</td><td>0.00%</td></tr><tr><td rowspan="2">Tax savings</td><td>Tax savings(Billions of yen)</td><td>0.6</td><td>1.7</td></tr><tr><td>Percentage of revenue</td><td>0.03%</td><td>0.09%</td></tr></table></td><td>Reduce GHG emissions on a medium- to long-term profit and loss neutral basis</td></tr><tr><td>Opportunities (product services, markets)</td><td>Population exposed to infectious diseases</td><td>Total market for immunity-related products in Asia expected to be worth 750 billion yen by 2030</td><td><p>Promote the commercialization of immunity-related products</p><div></div></td></tr></table>				Risks and opportunities	Affected item	Financial impact	Response strategies	Physical risk	Decline in yields of agricultural products, procurement costs	<p>Impact of decline in yields on agricultural product procurement costs (2050)</p> <p>(Millions of yen)</p> <p>Approx. 12.0 billion yen 0.62%</p> <p>Approx. 3.0 billion yen 0.16%</p> <p>Approx. 1.0 billion yen 0.06%</p> <p>Current situation 2°C scenario 4°C scenario</p>	<ul style="list-style-type: none">Brewing technology that is not dependent barleyMass plant propagation technologiesSupport for farms to acquire sustainable farming certifications <div><p>Mass plant propagation technology Product using tea from certified farms</p></div>	Transition risk	Increase in energy costs due to carbon pricing	<table><tr><th colspan="2">Scenario</th><th colspan="2">Group Scenario 3 (4° C Scenario)</th></tr><tr><th></th><th>Year</th><th>2030</th><th>2050</th></tr><tr><td rowspan="2">If GHG emissions are not reduced</td><td>Carbon taxes(Billions of yen)</td><td>1.3</td><td>1.7</td></tr><tr><td>Percentage of revenue</td><td>0.07%</td><td>0.09%</td></tr><tr><td rowspan="2">If we reduce GHG emissions in line with targets</td><td>Carbon taxes(Billions of yen)</td><td>0.6</td><td>0</td></tr><tr><td>Percentage of revenue</td><td>0.03%</td><td>0.00%</td></tr><tr><td rowspan="2">Tax savings</td><td>Tax savings(Billions of yen)</td><td>0.6</td><td>1.7</td></tr><tr><td>Percentage of revenue</td><td>0.03%</td><td>0.09%</td></tr></table>	Scenario		Group Scenario 3 (4° C Scenario)			Year	2030	2050	If GHG emissions are not reduced	Carbon taxes(Billions of yen)	1.3	1.7	Percentage of revenue	0.07%	0.09%	If we reduce GHG emissions in line with targets	Carbon taxes(Billions of yen)	0.6	0	Percentage of revenue	0.03%	0.00%	Tax savings	Tax savings(Billions of yen)	0.6	1.7	Percentage of revenue	0.03%	0.09%	Reduce GHG emissions on a medium- to long-term profit and loss neutral basis	Opportunities (product services, markets)	Population exposed to infectious diseases	Total market for immunity-related products in Asia expected to be worth 750 billion yen by 2030	<p>Promote the commercialization of immunity-related products</p> <div></div>
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Risk management	<p>Kirin Holdings has established the Group Risk and Compliance Committee to oversee risk management through activities such as quarterly monitoring of risk factors, including climate change-related risks. However, climate change-related risks may not be sufficiently identified solely through the conventional approach of judging the materiality of risks based on the degree of impact and the likelihood of occurrence. Therefore, we have adopted a new approach to identify and examine significant risks based on the development, analysis, and assessment of scenarios through meetings of the Group CSV Committee and other means for risks for which the consequences of occurrence on our businesses would be extremely serious.</p>																																																

Item	Description	
Metrics and targets	<p>Kirin Holdings has set a target of net zero GHG emissions across the entire value chain by 2050. As medium-term targets, we have revised our GHG reduction targets upward to a 50% reduction under Scopes 1 + 2 and a 30% reduction under Scope 3 from the 2019 level by 2030 (obtained approval for the SBT for 1.5°C standard), and have set a target for renewable energy use of 100% (joined RE100) by 2040 (both targets were set in 2020).</p> <p>For adaptation measures, e.g. support for obtaining sustainable farming certification, as wells as responses to business opportunities, e.g. the supply of products that combat infectious diseases, each operating company breaks down the Group targets, sets its own targets as CSV commitments, and works on them by establishing a roadmap.</p>	<p>Kirin Brewery Completed Installation of Large-scale Solar Power Generators at All Domestic Breweries</p>  <p>The power generation capacity of Kirin Brewery will be more than 11 MW in total, one of the largest among domestic food companies. As a result of these measures, GHG emissions will be reduced by approximately 5,800 tons per year, and the ratio of renewable energy to electricity used by Kirin Brewery as a whole will increase from approximately 18% in 2020 to approximately 34%.</p> <div> <div> <p>Target</p>  <p>Target Target for total Scope 1 and Scope 2 emissions* Target for total Scope 3 emissions* Target -50% Target Net zero 2019 2030 2050 * In December 2020, we moved from the old 2°C target to a 1.5°C target, which has been approved under the Science Based Target initiative (SBTi).</p> </div> <div> <p>Progress</p> <p>Trends of GHG emissions against medium-term targets</p> <div> <p>Scope1+2* (thousand tCO₂e)</p>  <p>2016 2017 2018 2019 2020 2030 Target -50%</p> </div> <div> <p>Scope3* (thousand tCO₂e)</p>  <p>2016 2017 2018 2019 2020 2030 Target -30%</p> </div> </div> </div>

*5 Profit and loss neutral: An approach where we quickly implement energy-saving measures that significantly reduce costs, and then, procure renewable energy within the extent not exceeding profits generated

*6 Additionality: A concept where organizations add new renewable energy sources to increase power supply with the aim of promoting the mitigation of climate change in the society

Corporate Governance

We further promote medium- and long-term value sharing with shareholders and investors by linking key performance indicators (financial and non-financial targets) and annual normalized operating profit with remuneration of officers.

Performance evaluation indicators

• Yearly bonus Consolidated normalized operating profit^{*7}, individual performance evaluation

• Trust-type stock compensation^{*8} Normalized EPS, ROIC, non-financial evaluation^{*9}

*7 Normalized operating profit is a profit indicator for measuring recurring performance which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

*8 Points are granted in accordance with the level of achievement of performance targets in the year following a performance evaluation period. In principle, shares are delivered in a number corresponding to the number of points granted at a certain point in time after the lapse of three years from the start of the performance evaluation period.

*9 Non-financial evaluation is an assessment of the progress and the achievement level of the CSV commitment. Specifically, the CSV commitment is comprehensively assessed against initiatives for four key issues (a responsible alcohol producer, health and well-being, community engagement, and the environment).

(3) FUTURE CHALLENGES

Kirin Holdings believes that it should do more to find opportunities amidst the global upheaval of a once-in-a-century pandemic and climate change. We think it is important to continue to innovate across domains through effective synergies inherent in the Group to achieve our purpose. In the 2022–2024 MTBP, KV2027's basic direction will remain unchanged, and Kirin Holdings will continue to strengthen its existing businesses and create new value by promoting CSV as the core of its management. Specifically, Kirin Holdings will make growth investments and strategic investments in the following three domains: (1) Increasing profit in the Food & Beverages Domain, (2) Strengthening the global operating base of the Pharmaceuticals Domain, and (3) Scaling up the Health Science Domain, aiming for sustainable growth.

To achieve these goals, Kirin Holdings will continue to work on strengthening its organizational capabilities for innovation. In addition, Kirin Holdings will build a solid organizational foundation by thoroughly adhering to Kirin Holdings' DNA of focusing on quality, building an SCM system that balances efficiency and sustainability, and strengthening governance to support value creation. Through these efforts, Kirin Holdings will achieve its financial targets of a normalized EPS CAGR of at least 11% by 2024^{*1} and ROIC of at least 10% as of 2024, and follow a new growth track toward achieving KV2027.

^{*1} Standard is FY2021.

1) Food & Beverages domain

In the Food & Beverages domain, Kirin Holdings will build a robust brand portfolio, strengthen its profitability and financial base, and explore as well as expand new businesses.

Kirin Brewery will build a robust brand portfolio by strengthening investment in its mainstay *KIRIN ICHIBAN* brand, *KIRIN ICHIBAN Zero Sugar*, which caters to health-conscious consumers, and *SPRING VALLEY Hojun 496*, a high-value-added, highly profitable brand. *KIRIN Home Tap* appeal will further be enhanced through strengthening its craft beer lineup, with the aim of revitalizing the craft beer market and making it more attractive. In the RTD category, Kirin Brewery will boost the development of high-value-added products that meet the needs of people who want to enjoy quality time when at home.

Lion will focus on improving profitability through marketing reform and supply chain optimization. Moreover, Lion will promote the integration of its acquired craft beer businesses and create synergies in order to accelerate the growth of the craft beer business in North America and Australia. Mercian will launch *Mercian Wines* as a new imported wine brand. Mercian will reestablish the inherent value of wine in Japan, make the wine market more attractive to consumers, and co-create high-quality imported wines that suit the Japanese palate with wineries that are sincerely committed to sustainable winemaking—including consideration for the environment.

Kirin Beverage will further promote CSV management and strengthen the profitability of the existing beverage business through efficient management resource allocation. At the same time, Kirin Beverage will strengthen its Health Science domain by transforming itself into a beverage company with health as a new company pillar. For the mainstay *Gogo-no-Kocha* brand, Kirin Beverage will focus on developing *Kirin Gogo-no-Kocha Oishii Muto (sugar-free)* and achieve renewed growth of the brand by expanding low-sugar product offerings. Kirin Beverage will promote the use of sustainable PET plastic in the development of *Kirin Nama-cha* products, aiming to win the goodwill of society and consumers as a brand that contributes to their health and the environment. In the Health Science domain, Kirin Holdings will contribute to better consumer health and open up new markets by expanding the development of beverages containing LC-Plasma. This includes the addition of *Kirin iMUSE Morning Immune Care*, a yogurt-tasting beverage in a 100ml PET bottle, to be launched nationwide in March, and further development of beverages containing LC-Plasma in collaboration with FANCL (fahn-kell) CORPORATION.

Coca-Cola Beverages Northeast (Coke Northeast) will build a structure capable of generating stable and high profits on an ongoing basis. Coke Northeast will continue to further increase its share of the highly profitable carbonated beverage market and cater to distribution needs with a sense of urgency, keeping an eye on trends in other beverage categories. In addition, Coke Northeast will adapt to changes in customer needs and strengthen DX^{*2} to promote internal operational efficiency.

^{*2} An abbreviation for "digital transformation." It expresses the transformation of people's lives for the better through the adoption of advanced digital technologies.

2) Pharmaceuticals domain

The environment surrounding the pharmaceutical industry in recent years has undergone severe changes, including the promotion of measures to curb drug costs, a decrease in spending on pharmaceuticals due to the promotion of generics, and increased costs and complexity of processes in new drug development, etc. At the same time, there are also moves to encourage the development of new drug discovery methods that enable innovative treatments through advances in science and technology. In addition, breakthrough drugs for unmet medical needs^{*3} are still eagerly awaited around the world. Moreover, new medical needs are emerging as the overall social environment undergoes major changes, such as the development and adoption of digital technology and the diversification of consumer touchpoints. In this environment, Kyowa Kirin will achieve further growth as a Global Specialty Pharmaceutical company by promoting the development of next-generation global strategic products such as *KHK4083*, *ME-401 (Zandelisib)*, and *KW-6356*^{*4} in addition to the *Crysvita*, *Poteligeo* and *Nourianz* global strategic products. Kirin Holdings will also promote the development of new drugs for the domestic market, such as *KHK-7791*^{*5} (*Tenapanor*), and *RTA402*^{*6} (*bardoxolone methyl*). Kyowa Kirin will achieve business growth as a Japan-based Global Specialty Pharmaceutical company by implementing Kyowa Kirin's New Vision for 2030, which was announced in February 2021 in conjunction with the five-year mid-term business plan, and strategies for achieving this vision.

^{*3} Refers to medical needs for diseases for which no cure has yet been found.

^{*4} Next generation of *KW-6002 (Nourianz)* in the United States, *Nourias* in Japan) drugs for Parkinson's disease

^{*5} A treatment that inhibits phosphorus absorption for hemodialysis patients

^{*6} A treatment for patients with Alport syndrome and diabetic kidney disease

3) Health Science domain

In KV2027, Kirin Holdings launched the Food & Beverages domain, Pharmaceuticals domain, and Health Science domain, and has been working to address the social issues of health and well-being, which is important for CSV management. As COVID-19 continues to expand on a global scale, interest in health and disease prevention is increasing even more. Seeing this as a new opportunity, Kirin Holdings will strengthen its investment in the Health Science domain and expand the domain's scale in the 2022–2024 MTBP. Kirin Holdings will also explore new growth opportunities for further business growth. In particular, Kirin Holdings will use the expansion of LC-Plasma in the immunology field as a springboard for growth in the brain function and intestinal environment fields.

In 2022, the first year of the 2022–2024 MTBP, Kirin Holdings will continue to focus on accelerating the expansion of the LC-Plasma business. Kirin Holdings will also boost the development of yogurt and supplements containing LC-Plasma that are easily accessible, aiming to further instill an immune care habit in Japan. In line with the expansion of Kirin Holdings' business, Kirin Holdings will increase LC-Plasma production facilities and increase the beverage production line at Kirin Beverage's Shonan Plant. In addition, Kirin Holdings is proceeding with verifying the effect of LC-Plasma on tropical infectious diseases at the University of Malaya's research base.

In overseas markets, Kyowa Hakko Bio will accelerate its BtoB business, focusing on mainly in the United States and Southeast Asia for LC-Plasma and boosting overall sales of *Citicoline*^{*7} in the United States. In 2022, Kyowa Hakko Bio will begin production of Human Milk Oligosaccharides^{*8}—in which Kyowa Hakko Bio succeeded in developing the world's first mass-production technology using its proprietary fermentation technology—at its plant in Thailand with the aim of launching the product overseas. Kirin Holdings will vigorously pursue business development in the areas of physical vitality centered on *Ornithine*, as well as move forward with new business exploration, intrapreneurship, and corporate venture capital^{*9} to solve social issues related to the health and well-being of consumers at all touchpoints.

Kirin Holdings will continue to engage in joint research and new product development with FANCL, utilizing the ingredients and technologies of both companies. In addition, Kirin Holdings will aim to create synergies by utilizing online shopping business know-how—which is one of FANCL's strengths—within Kirin Holdings and by strengthening organizational capabilities through personnel exchanges.

In order to increase the scale of these initiatives, Kirin Holdings will establish a Health Science Business Headquarters in the spring of 2022 to oversee strategy and business collaboration in the Health Science domain. This will strengthen the governance structure to create synergies within Kirin Holdings and improve the speed of promoting understanding of company strategy internally as well as its implementation.

*7 An ingredient found in the body that maintains the cell membranes of the brain and nerve cells, and has been used for many years around the world in medicines for brain diseases and health foods that support the improvement of cognitive functions. In Japan, it is currently classified as a pharmaceutical product.

*8 A generic term for oligosaccharides contained in breast milk. More than 250 types of oligosaccharides are contained in breast milk, and the results of research contributing to immunity and brain function have been currently reported.

*9 Refers to an organization for operating companies to contribute their own funds to form a fund to invest in startup companies or to invest in startup companies. Many operating companies invest in companies that are related to their own business, aiming to create synergies and new businesses.

With regard to the business of Myanmar Brewery Company Limited, over the following year, Kirin Holdings took every measure to find a way forward that would allow it to continue to contribute to Myanmar's economy and society through the beer business. These included discussions with Myanma Economic Holdings Public Company Limited (MEHPCL) and filing for arbitration in Singapore, seeking to terminate the joint venture. In the end, Kirin Holdings determined that it would be difficult to quickly terminate the joint venture in the manner it desires. Therefore, Kirin Holdings has now commenced and is proceeding with discussions with MEHPCL in order to withdraw from the business in Myanmar, giving top priority to the termination of the joint venture as soon as possible. In formulating a withdrawal plan, Kirin Holdings will place importance on the livelihood and safety of local employees, their families, and will give due consideration to all stakeholders in accordance with Kirin Holdings' Human Rights Policy.

Approximately ¥12.0 billion was recorded this fiscal year in the balance of assets in the Myanmar business after reflecting an impairment loss and deducting liabilities and non-controlling interests. In the event that the remaining assets are not recoverable, a loss may be recognized from 2022 onwards. In addition, approximately ¥19.0 billion of foreign currency translation differences on foreign operations arising from the business in Myanmar have been recorded in equity and will be reclassified to loss at the time of withdrawal from the business in Myanmar.

Finally, in order to achieve KV2027 and sustainable corporate growth, Kirin Holdings' Board of Directors regularly discusses the optimal business portfolio. Kirin Holdings will accelerate creating value in areas ranging from Food & Beverages to Pharmaceuticals by applying its highly-acclaimed governance to transform its business portfolio.

2. 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.

We believe that risk management plays an increasingly important role in promoting our business. This includes uncertainties in the business environment of existing business domains of Food & Beverages and Pharmaceuticals, the development of the Health Science domain as a foundation for future growth, the increase in large-scale natural disasters, and the COVID-19 pandemic. The Group's fundamental risk management policy is to mitigate risk, prevent risk from being actualized, and to keep risk within a manageable level. Management considers risk management as essential to continue earning trust of customers, employees, shareholders and society over the long term. When making decisions to maximize corporate value, we analyze, in most cases, risk scenarios from various perspectives, including strategic and financial aspects, to review appropriate risk control proposals. Risk information is disclosed in a timely and appropriate manner on our corporate website and other means.

(2) RISK MANAGEMENT STRUCTURE AND PROCESS FOR DETERMINING AND MONITORING SIGNIFICANT RISK

The Group has established a Group Risk and Compliance Committee consisting of Kirin Holdings' Directors of the Board (excluding Non-executive Directors) and Executive Officers and chaired by the Executive Officer in Charge of Risk. The committee oversees the Group's risk management activities, including collecting risk information, controlling risks, setting risk policy for the medium-term business plans and for each fiscal year, preparing important items for compliance, introducing risk reduction measures, communicating information and implementing countermeasures when a risk arises, and providing necessary instructions and support to Group companies. The Board also oversees the effectiveness of risk management through deliberations and reports on significant risks. (Figure 1)

Based on the Kirin Group's risk management policy set for each fiscal year, each Group company examines and identifies risks related to its strategy and business execution and risks that could develop into a serious crisis. Kirin Holdings aggregates the risks faced by specific businesses on the Group level, investigates common risks across the Group, and identifies significant risks to the Group. Based on this plan, the Group Risk and Compliance Committee assesses the potential quantitative and qualitative impacts of significant 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 its frequency of occurrence. The Board deliberates the assessments and determines the significant risks for the Group. (Figure 2)

Kirin Holdings and the Group companies frame and implement measures tailored to each risk to address the significant risks. 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 risk status on a quarterly basis. The Kirin Holdings' Board deliberates the status and reviews the Group's significant risks and provides instruction as necessary (Figure 3) to support appropriate management and control of strategic risks. At the same time, we have established various risk management systems and work to mitigate and appropriately manage risks. These risk management systems are designed to prevent the manifestation of risks that could develop into a crisis and minimize any potential negative impact when a risk does develop into a crisis.

Figure 1

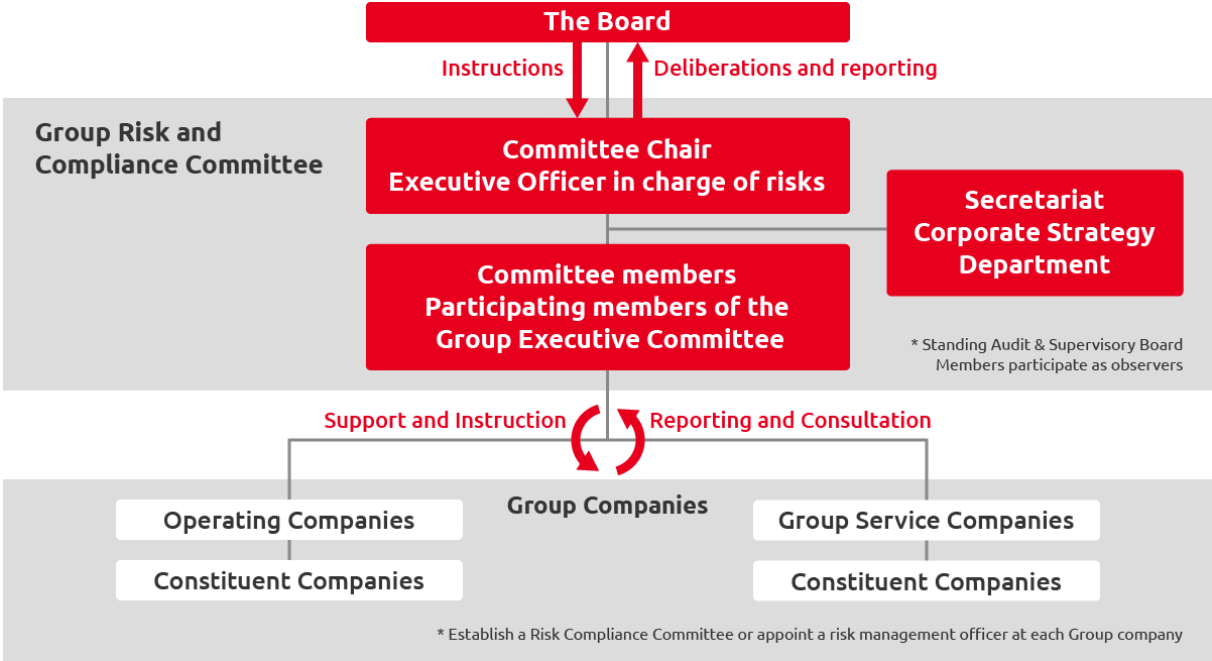


Figure 2

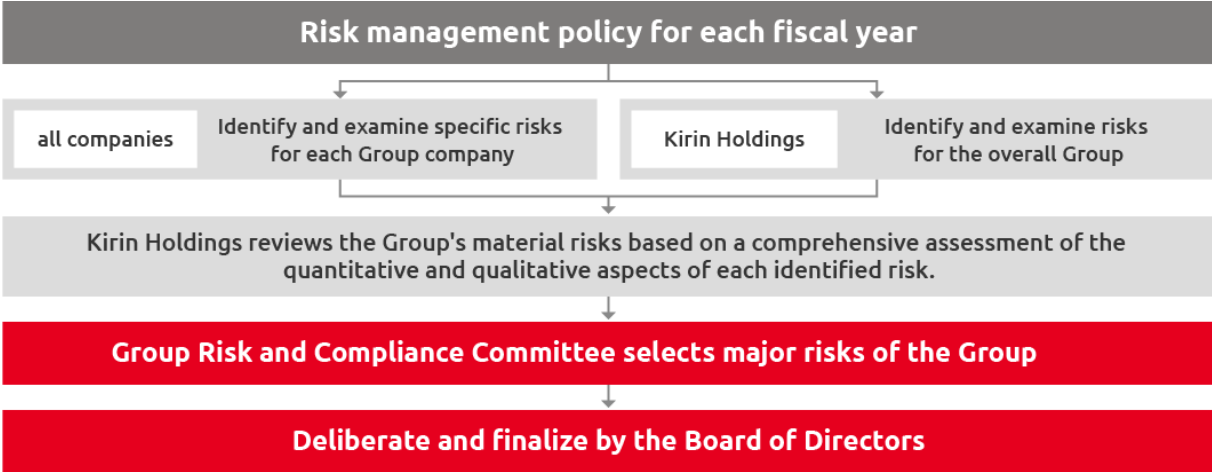


Figure 3



(3) KIRIN GROUP SIGNIFICANT RISK

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. The risks listed below do not cover all risks of the Kirin Group. There are risks other than those listed below that may impact investor assessment. Significant risks are classified into “Significant risks in each business domain” and “Significant 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) Significant risks in each business domain

Business area	Main risk	Risk details and main potential impacts
Food & Beverages	<ul style="list-style-type: none"> • Risks related to responses to business environment changes • Risks related to hikes in raw materials prices • Risks related to failure of new businesses 	<ul style="list-style-type: none"> • Potential for a shortfall to sales targets due to changes in the market environment and preferences, fluctuations in product prices, or actions of competitor companies, etc • Potential for higher procurement costs due to hikes in raw materials prices, which could affect manufacturing costs • Potential for new businesses to fail to penetrate the market, resulting in a downturn in revenues and delaying business plans
	Main countermeasures, related sections in this report, and risk awareness	
	<p>The Food & Beverages domain, as Kirin Group’s main business domain, has the potential for receiving serious impact in case of risk being actualized. We are reducing the actualization of risks by taking appropriate measures, as enhancing to reform business model of Foods & Beverages domain by expanding the sales of highly profitable value-added products and our capability to face the risk based on findings to business environment changes. However, we assume that the on-premise (commercial market) market, such as on-premise establishments, and the vending machine business, will continue to be affected by the emergence of variant strains of COVID-19 and regulations based on the prevalence of the virus in the countries where we operate. In addition, we consider the potential direct impact of hikes in raw materials prices on revenue and the impact of the success or failure of domestic <i>Home Tap</i> and global development of craft beer business on our medium- to long-term business plans as significant risks.</p> <p>(Specific countermeasures are stated in “MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.”)</p>	

Business area	Main risk	Risk details and main potential impacts
Withdrawal from the business in Myanmar	<ul style="list-style-type: none"> • Risk of failure to terminate the joint venture and withdraw from the business in Myanmar • Risk of not being able to recover funds for the business upon withdrawal 	<ul style="list-style-type: none"> • Potential that our efforts will not be properly communicated to each stakeholder • Potential impact on consolidated financial results or inability to recover funds in local currency
	Main countermeasures, related sections in this report, and risk awareness	
	<p>We are committed to complete the withdrawal from the business in Myanmar by the end of June 2022. However, given the remaining high uncertainty and the immateriality of financial impact on the consolidated financial results of the Group, we have set our full-year 2022 forecast for both revenue and normalized operating profit of the Myanmar business at ¥0.0 billion. (This forecast is based on information as of the end of February 2022. This issue is also stated in “MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.” We will also announce the progress toward the withdrawal from the business on our corporate website and other media as appropriate.)</p>	

Business area	Main risk	Risk details and main potential impacts
Pharmaceuticals	<ul style="list-style-type: none"> • Risk associated with maximizing the value of global strategic products • Risk related to product quality and stable supply • Risk related to government measures to reduce medical costs 	<ul style="list-style-type: none"> • Potential for products to not become fully established in a new market because price differential between the planned and actual prices in a country may cause sales to fall significantly below expectations, because expansion of the business domain may be slowed by delays in launch preparation or other factors, or due to difficulty connecting with potential patients • Potential for product recalls due to safety or quality concerns or for difficulty maintaining stable supply due to a sharp increase in demand or a tight supply and demand balance • Potential for product prices to be reduced due to pressure to lower medical costs in Japan and overseas and accelerate the ongoing shift to generic drugs
	Main countermeasures, related sections in this report, and risk awareness	
	<p>To maximize the value of global strategic products, Kyowa Kirin is implementing initiatives to spur market uptake and expanding its business reach, centered on the United States and Europe, under its global management structure. In order to expand our business globally, we believe it is important to strengthen our foundations such as product quality assurance system and stable production and supply system. In terms of product quality, we enhance to monitor by the Global Quality Assurance Committee and establish an independent, specialist audit unit to reinforce product quality audits within the Group and at contractors. Also, we are expanding its network of contractors, investing in Group plants, rolling out digital technology to enhance manufacturing operational efficiency, and increasing headcount and upgrading training systems in our production and quality control divisions. Japan and other countries are tightening control of medical care costs. The Kyowa Kirin Group closely monitors healthcare policy trends in each country while also forecasting post-launch pricing for development compounds and their anticipated impact on revenue. In order to deliver life-changing pharmaceutical products that meet the needs of patients, we also work to prepare strategic drug approval packages that highlight their value scientifically.</p> <p>(The details are stated in the Annual Securities Report of Kyowa Kirin Co., Ltd.)</p>	

Business area	Main risk	Risk details and main potential impacts
Health Science	<ul style="list-style-type: none"> • 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 competition in the rapidly changing Health Science domain • Risk of inability to increase added value due to insufficient organizational capability in new fields • Risk of issues related to product quality assurance, safety, or missing products 	<ul style="list-style-type: none"> • Potential that the sales plan will not be achieved due to the inability to formulate an effective business model in the priority areas of Kirin's Health Science business: immunology, brain function, and intestinal environment. • Potential inability to construct a high-profit business model for creating new value due to delays establishing an organizational structure, delays developing, acquiring, and training human resources for business management, or inability to establish cooperation and synergies within the Group • Potential of product shortages if production does not proceed according to the production plan • Potential that Foods with Function Claims (FFCs) have adverse health effects or quality issues, lack sufficient evidence, or cause adverse reactions; or the potential of inaccurate information
	Main countermeasures, related sections in this report, and risk awareness	
	<p>The Health Science domain involves many new businesses, and we are strategically taking risks to expand our business. To search for and realize next-generation growth opportunities, we have begun operating the stage gate system and CVC investment to accelerate collaboration and synergies within the Group. In the immunology domain that involves FFCs, we aim to expand awareness of LC-Plasma, achieve outcomes through awareness building on FFCs, and early establish a business model, with the aim of establishing immune care habits in the daily lives of our customers. While promoting our business, we will improve our organizational capability and strengthen governance to ensure appropriate risk control.</p> <p>(Specific countermeasures are stated in "MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.")</p>	

2) Significant risks common to each business domain

Item	Main risk	Risk details and main potential impacts
COVID-19	<ul style="list-style-type: none"> • Risk of the COVID-19 pandemic constraining business activity • Risk of employees contracting the virus and the virus spreading among employees 	<ul style="list-style-type: none"> • Potential that business activities could be restrained by a rising number of infections and governments enforcing stronger regulations, such as state of emergency conditions and lockdown • Potential for clusters or spread of infection within the Company despite appropriate prevention measures, and inability to secure necessary workforce to carry out business activities due to increased number of employees standby at home due to illness or close contact with infected individuals
	Main countermeasures, related sections in this report, and risk awareness	
	<p>The Kirin Group created the task force for COVID-19 in January 2020 that collects information, judges the situation, considers and decides on countermeasures, shares information, and gives instructions to Group companies. Although the situation differs depending on the country or region, concerns remain over the spread of infections with the emergence of variant strains and other factors. We therefore assume that the business environment will not return to its pre-COVID-19 state. Backed by rising health awareness in the wake of COVID-19 pandemic, we will strive to achieve business growth by resolving social issues and promoting activities tailored to our customers. We have thoroughly implemented various infection prevention measures to address the risk of employee infection, and have established a reporting system and response flow in case of suspected infection.</p>	

Item	Main risk	Risk details and main potential impacts
Securing and training of human resources	<ul style="list-style-type: none"> • Risk of inability to adequately secure and train human resources to advance Group management and with the expertise necessary for business activities 	<ul style="list-style-type: none"> • Potential for not achieving organizational capabilities with competitive advantage
	Main countermeasures, related sections in this report, and risk awareness	
	<p>The Kirin Group is working on reforming the organizational culture and creating a human resources management system to secure and develop top talent to promote Group management, based on the policy that human resources are necessary to execute business and realize innovations. In addition, we aim to improve organizational capabilities to accept diversity and realize value creation by gathering human resources with diverse values and expertise. We are also promoting the Job Satisfaction Reform project entitled KIRIN Work Style 3.0 as a new way of working while living with COVID-19. By reevaluating the meaning and purpose of our work, we work to improve productivity, creativity, and personal fulfillment that will lead to the sustainable growth of the Group. We will continue to implement initiatives from a medium- to long-term perspective based on the recognition that diversity and inclusion, culture for innovation are the foundation of the Company.</p>	

Item	Main risk	Risk details and main potential impacts
Information technology	<ul style="list-style-type: none"> • Risk that Kirin's ICT utilization will be inferior to competitors in the market due to lack of progress in digital transformation (DX) initiatives • Risk of insufficient securing and training of DX experts 	<ul style="list-style-type: none"> • Potential for limited profit growth due to higher costs caused by a delay in the efforts to make supply chain more efficient • Potential for limited sales and profits due to inadequate understanding of consumer trends and inability to provide products that meet customer expectations • Potential for a shortage of staff to work on issues to be addressed in DX, resulting in failure to implement measures timely and promptly
	Main countermeasures, related sections in this report, and risk awareness	
	<p>With the promotion of DX, we are working to create new value by transforming business processes through the use of technology and data, improving the efficiency of existing operations, and transforming processes for customer understanding and product and service development. We are enhancing our organizational structure to realize autonomous DX promotion in each company and division, securing human resources capable of promoting DX, and developing human resources through our unique programs. Since January 2022, a standardized information system (ERP) has been in operation in three domains of accounting, logistics, and production, mainly in domestic operating companies. We will continue to replace the system outside of the three domains, aiming to build a base system suitable for each business.</p>	

Item	Main risk	Risk details and main potential impacts
Product safety	<ul style="list-style-type: none"> Risk of unexpected quality issues beyond the scope of quality assurance measures 	<ul style="list-style-type: none"> Potential high costs or constricted business activity due to product discontinuation, recall, or compensation claims
	Main countermeasures, related sections in this report, and risk awareness	
	Based on our quality policy, the Kirin Group has declared that providing safe and reliable products and services to our consumers is our top priority. We have established a quality assurance system for products manufactured at our Group plants and those manufactured by other companies, including those manufactured by contract manufacturing plants and imported products. We are making utmost efforts to ensure quality by monitoring product quality and auditing the quality assurance system throughout the Group. In addition to having top management communicate the importance of quality as a message to the entire Group, we will continue our efforts to foster an organizational culture that values quality not only in the production division but also in all divisions by taking the initiative in education and training and allocation of management resources.	

Item	Main risk	Risk details and main potential impacts
Human rights	<ul style="list-style-type: none"> Risk of human rights issues associated with the Kirin Group, its partners, or its procurement operations 	Potential substantial impact on business activities in the country or globally
	Main countermeasures, related sections in this report, and risk awareness	
	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 2022, the Group established the Group Human Rights Committee as a meeting body under the Group CSV Committee, which oversees the Group's overall sustainability, to strengthen its efforts to promote respect for human rights. The Kirin Group prohibits all forms of discrimination based on race, ethnicity, nationality, social status, family origin, gender, disability status, health status, ideology and creed, sexual orientation and gender identity, and differences in job type and employment status, in addition to prohibiting slave labor, forced labor, and child labor, including human trafficking. We will continue to identify, prevent, and mitigate negative impacts on human rights related to the Kirin Group's business, along with the implementation of human rights due diligence. The Kirin Group expects all of its business partners to support the Kirin Group Human Rights Policy and is committed to ensuring that its suppliers comply with this policy.	

Item	Main risk	Risk details and main potential impacts
Environmental issues	<ul style="list-style-type: none"> Physical risks of climate change and risks associated with the transition to a decarbonized society Risks related to resource recycling of plastic containers 	<ul style="list-style-type: none"> Potential for increased procurement costs due to decreased yields of agricultural raw materials caused by physical risks of climate change, including global warming, droughts, and floods, as well as shutdowns due to such risks as droughts and floods, and potential for increased energy costs due to transition risks including carbon taxes Potential inability to adequately respond to social concerns and rising expectations of companies in environmental issues such as climate change and plastic containers
	Main countermeasures, related sections in this report, and risk awareness	
	The Kirin Group has formulated the Kirin Group's Environmental Vision 2050, a long-term strategy for addressing various environmental issues, and is working to achieve its goal. For physical risks such as decreased yields of agricultural raw materials and transition risks such as carbon pricing due to 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 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 create a sustainable global environment for the next generation by viewing these environmental issues, in which climate change, biological resources, water resources, and containers and packaging are mutually related, in an integrated manner. (Specific countermeasures are stated in "MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.")	

Item	Main risk	Risk details and main potential impacts
Alcohol consumption-related issues	<ul style="list-style-type: none"> Risk of future restrictions worldwide on alcohol sales 	<ul style="list-style-type: none"> Potential decline in alcohol consumption and potential decrease in corporate brand value
	Main countermeasures, related sections in this report, and risk awareness	
	Regarding the alcohol consumption-related issues, the WHO is discussing future global regulations on the sale of alcohol. In order to fulfill its social responsibility as an alcohol producer, the Kirin Group is making progress in its efforts to eradicate alcohol consumption-related issues in all countries where the Group operates its alcoholic beverages business. In advertising and promotion activities, we comply with the Kirin Group Global Marketing Code for Responsible Drinking and strict voluntary standards. We also promote activities in cooperation with IARD and other industry groups in Japan and overseas. In Japan, we use our website and other means to raise awareness of the prevention of drinking by those under 20 years old and to build awareness of responsible drinking. We will continue to make steady progress in our efforts to eradicate harmful alcohol consumption while responding to changes in social conditions in the era of living with COVID-19.	

Item	Main risk	Risk details and main potential impacts
Supply chain	<ul style="list-style-type: none"> Risk of supply chain disruption due to large-scale natural disasters and accidents, such as earthquakes, unseasonable weather, cold summers, droughts, typhoons, torrential rains, forest fires, and infectious diseases 	<ul style="list-style-type: none"> Potential need to close business sites or reduce or suspend business activities Potential distribution delays or shortages due to procurement, production, and logistics capabilities unable to meet demand due to a sharp rise in sales volume during peak sales periods Potential suspension or delay of deliveries due to disruptions in road and port transportation networks caused by natural disasters or infectious diseases
	Main countermeasures, related sections in this report, and risk awareness	
	We have formulated business continuity plans (BCPs) for disasters and accidents. We are shifting from measures for specific cases, such as earthquakes and infectious diseases, to an all-hazard approach that focuses on management resources as the starting point. In the supply chain, in addition to the effects of disasters and accidents, securing human resources is a serious issue in Japan, including a shortage of truck drivers. In addition, overseas, there is a risk of supply chain disruption due to delays in shipping. In each business, we are working to reduce risks by improving the accuracy of supply and demand forecasts and strengthening logistics capacity. We recognize that our capability to respond to disasters and infectious diseases has improved through these ongoing efforts.	

Item	Main risk	Risk details and main potential impacts
Information security	<ul style="list-style-type: none"> Risk of a cyber-attack, information security incident, or information leak 	<ul style="list-style-type: none"> Potential to lose customer trust and incur claims for damage compensation due to a leak of personal information or important trade secrets Potential suspension of business or extended recovery time required after a cyber-attack
	Main countermeasures, related sections in this report, and risk awareness	
	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 important risks in the Group. 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. The details of our initiatives are stated in the Information Security Report. We are also taking measures including risk transfer, for example, by taking out 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.	

Item	Main risk	Risk details and main potential impacts
Compliance	<ul style="list-style-type: none"> • Risk of behavior by employees, such as alcohol-related issues or bribery, that is illegal or counter to social mores 	<ul style="list-style-type: none"> • Potential of legal punishment, litigation, social sanctions, and loss of customer trust
	Main countermeasures, related sections in this report, and risk awareness	
	<p>The Kirin Group strives to reduce the possibility of employee violations of laws and regulations and acts that violate social norms by promoting compliance through risk management cycles and employee awareness training. We also prohibit the provision or receipt of improper money, gifts, entertainment, and other benefits to prevent bribery. We maintain hotlines for each Group company, as well as hotlines directly connected to the officer in charge of compliance and audit & supervisory board members, respectively. Furthermore, we conduct an employee compliance awareness survey every year to identify potential risks and to reduce risks at the early stage by confirming the facts contained in the responses and taking appropriate measures. The survey results are reported to the Group Risk and Compliance Committee. Through these measures, we are working to reduce the impact of serious compliance violations and will continue to raise employees' awareness of compliance.</p>	

Item	Main risk	Risk details and main potential impacts
Finance and taxes	<ul style="list-style-type: none"> • Fund procurement risk, foreign exchange risk, tax risk 	<ul style="list-style-type: none"> • Potential increase in funding costs and fluctuation in yen conversion value due to exchange rates • Potential for additional tax burdens or loss of social credibility due to revisions to tax systems in various countries, changes in tax administration, or differences in views with tax authorities on tax reporting
	Main countermeasures, related sections in this report, and risk awareness	
	<p>In response to financial risks, the Kirin Group conducts appropriate cash management and mitigates financial risks in accordance with the Kirin Group Treasury Policy.</p> <p>In terms of tax affairs, we also comply with the tax laws of each country and have established the Kirin Group Tax Policy to ensure tax transparency with a variety of stakeholders.</p> <p>Although the effects of market environment and exchange rate fluctuations and tax risks cannot be eliminated, these measures reduce the possibility of having a significant impact on business performance and financial conditions.</p>	

3. 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

Like 2020, 2021 was greatly affected by COVID-19. A new COVID-19 variant is spreading worldwide, and the virus is still not under control. In this environment, the Kirin Group moved forward toward becoming a leading global CSV company based on its Long-Term Management Vision “Kirin Group Vision 2027” (KV 2027). Seeing the solving of social issues as opportunities for growth, Kirin Holdings has sought to achieve both social and economic value in the three domains of Food & Beverages, Pharmaceuticals, and Health Science, which Kirin Holdings has cultivated through its strengths in fermentation—from its beginnings as a beer business—and biotechnology.

- Food & Beverages domain

In the Food & Beverages business, Kirin Holdings built a strong brand system by concentrating investment in core products, while focusing on providing products and services that lead to the creation of new value, thereby mitigating the decline in earnings caused by COVID-19.

- Pharmaceuticals domain

In the Pharmaceuticals field, the global strategic products grew steadily as a result of the “ongoing transformation to a global organizational structure” that began in 2019. Kirin Holdings also made steady progress in the development of next-generation strategic products.

- Health Science domain

This was a year in which Kirin Holdings’ efforts to date to promote ingredient research and product development using R&D technology—one of its strengths—yielded great results. LC-Plasma (*Lactococcus lactis* strain Plasma), a strategic ingredient in the immunology field, took the Gold Prize the “1st STOP Infectious Disease Grand Prix” in the “Japan Resilience Awards 2021” conducted by the Resilience Japan Promotion Council. LC-Plasma was highly commended for factors including its discovery, product development into Foods with Function Claims. In addition, Kirin Holdings expanded its lineup of products containing LC-Plasma, and with the rise in health consciousness, sales grew significantly, up 50% from the previous year, contributing to solving consumers' health issues.

Kirin Holdings also received high marks from society in terms of ESG (Environment, Society, and Governance). In the Environment area, Kirin Holdings has been working to reduce GHG emissions, promote the use of renewable energy, and recycle and promote a virtuous “cycle of plastic recycling,” among other initiatives, in line with the *Kirin Group’s Environmental Vision 2050* formulated in February 2020. As a result, Kirin Holdings received the Gold Award in the Environmentally Sustainable Company category at the ESG Finance Awards Japan (Minister of the Environment Award). In addition, Kirin Holdings has been selected for the CDP’s “A List” in both climate change and water security for the third year in a row. In the Society area, Kirin Holdings was selected as a “Nadeshiko Brand” among publicly listed companies that excel in promoting the advancement of women. For the fifth year in a row, Kirin Holdings was recognized as a “Certified Health & Productivity Management Outstanding Organization 2021 (Large Enterprise Category [White500])” for practicing particularly excellent health management. Furthermore, Kirin Holdings has received high praise for its overall ESG initiatives, with a focus on Governance. The Company's overall ESG initiatives—with a focus on governance—were highly commended; and for the third year in a row, it received the highest ranking in the Nikkei Research Inc.’s SDGs Management Survey, which commends corporate efforts to meet the Sustainable Development Goals (SDGs). In the MSCI ESG Rating—which is calculated by Morgan Stanley Capital International (MSCI), Kirin Holdings received the “AA” rating, which is in line with the world's leading CSV companies.

Employee engagement, which is a key performance indicator in the *Kirin Group 2019–2021 Medium-Term Business Plan* (2019–2021 MTBP), was at the same level as in 2020, when the score had improved significantly. In the midst of an uncertain social climate, Kirin Holdings has worked to disseminate the significance of its commitment to CSV management, which has increased employee engagement with management and helped Kirin Holdings achieve the goals set in the 2019–2021 MTBP.

(¥ billions, unless otherwise stated)

	FY2021	FY2020	Change	
Consolidated revenue	1,821.6	1,849.5	(28.0)	(1.5)%
Consolidated normalized operating profit	165.4	162.1	3.3	2.0%
Consolidated operating profit	68.1	102.9	(34.8)	(33.8)%
Consolidated profit before tax	99.6	124.6	(24.9)	(20.0)%
Profit attributable to owners of the Company	59.8	71.9	(12.1)	(16.9)%

(Key performance indicators)

ROIC	4.2%	6.0%		
Normalized EPS (yen)	156	136	20	14.7%

Consolidated revenue for this fiscal year decreased due to the impact of the re-emergence of COVID-19 on sales of alcoholic beverages and soft drinks in Japan and overseas, and the sale of the Oceania Non-alcoholic Beverages Business. The Japan Beer and Spirits Businesses and Myanmar Brewery posted a decrease in profits, Coca-Cola Beverages Northeast, the Oceania Adult Beverages Business, as well as Kyowa Hakko Bio Co., Ltd. all saw an increase in profits, resulting in an overall increase in consolidated normalized operating profit. Profit attributable to owners of the Company decreased due to the recording of an impairment loss in the Myanmar business.

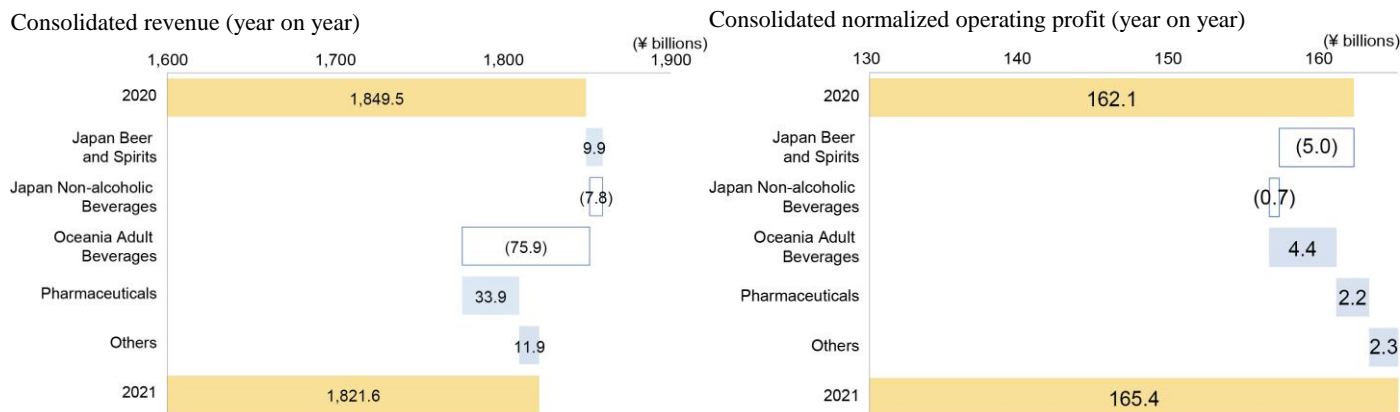
Normalized EPS and ROIC, our key performance indicators, failed to achieve their initial targets set in the 2019–2021 MTBP due to external factors such as the COVID-19 pandemic and political upheaval in Myanmar, as well as due to the impact of quality control problems at Kyowa Hakko Bio Co., Ltd. Although the ROIC target for FY2021 announced at the beginning of the current fiscal year was not met due to the impairment loss in the alcoholic beverages business in Myanmar against the backdrop of the political upheaval, we achieved the normalized EPS target. This was attributable to a recovery in consolidated normalized operating profit and acquisition of treasury shares in 2020.

2) Performance by reportable segment

Results by segment are as follows.

(¥ billions, unless otherwise stated)

	FY2021	FY2020	Change	
Consolidated revenue	1,821.6	1,849.5	(28.0)	(1.5)%
Japan Beer and Spirits	661.3	651.4	9.9	1.5%
Japan Non-alcoholic Beverages	244.4	252.2	(7.8)	(3.1)%
Oceania Adult Beverages	216.3	292.1	(75.9)	(26.0)%
Pharmaceuticals	351.7	317.8	33.9	10.7%
Others	347.9	336.0	11.9	3.5%
Consolidated normalized operating profit	165.4	162.1	3.3	2.0%
Japan Beer and Spirits	70.5	75.5	(5.0)	(6.6)%
Japan Non-alcoholic Beverages	21.1	21.8	(0.7)	(3.0)%
Oceania Adult Beverages	26.6	22.1	4.4	20.0%
Pharmaceuticals	61.2	59.0	2.2	3.7%
Others	(14.0)	(16.3)	2.3	—



Japan Beer and Spirits Business

In the domestic alcoholic beverage market, sales of products for the on-premise market continued to be sluggish and off-premise sales grew due to effects of COVID-19—as in the previous year—in particular the beer segment expanded following tax reductions due to liquor tax revisions.

At Kirin Brewery Company, Limited (Kirin Brewery), canned *KIRIN ICHIBAN*, the mainstay brand, as well as *KIRIN ICHIBAN Zero Sugar*—which captured growing health consciousness—performed well. As a result, sales volume of canned *KIRIN ICHIBAN* brand products grew significantly, up 20% year on year. With more time spent at home due to COVID-19, there is also a need to make that time more fulfilling. Canned craft beer *SPRING VALLEY Hojun 496* captured this demand, selling 1 million cases in just six months after its launch—growing at an unusually fast pace for a craft beer. In addition, the number of *KIRIN Home Tap* (which allows people to enjoy authentic draft beer at home) subscribers increased significantly, providing more than 100,000 customers with the special taste of beer directly from the brewery. In the on-premise market, Kirin Brewery worked closely with on-premise establishments to provide Kirin's unique value propositions, such as *TAPPY*, which can provide fresh and tasty draft beer, and *Tap Marché*, which can provide four types of craft beer in one unit. As a result, although the beer category's overall sales volume decreased by 4.1% due to the decline in the on-premise market, these efforts helped Kirin Brewery outperform the market trend for the third consecutive year. In the RTD (Ready to Drink) category—which is mainly for home use—the *Kirin Hyoketsu Sugar-Free* performed very well, and the *Kirin Hyoketsu®* brand achieved record sales, surpassing 16 billion cans in cumulative sales. *Kirin Honshibori™ Chuhaï*, as well as *Kirin Hakko Lemon Sour* high value-added brand that focuses on ingredients and manufacturing methods also performed well, with total RTD category sales volume increasing by 4.7% year on year.

As a result, sales volume of beer increased in off-premise channel, and sales volume of total beer products outperformed the market. Revenue increased by 1.5% to ¥661.3 billion due to higher sales volumes of beer, happo-shu, RTD and non-alcoholic beverages. Normalized operating profit decreased by 6.6% to ¥70.5 billion due to an increase in selling expenses as a result of strengthened investment in brands from a long-term perspective.

Japan Non-alcoholic Beverages Business

The domestic non-alcoholic beverage market saw a gradual recovery in sales volume from April onward with the gradual lifting of the state of emergency declaration, but the re-emergence of COVID-19 and unseasonable weather conditions resulted in only a slight increase over the previous year. In addition, Foods for Specified Health Uses (FOSHU) and Foods with Function Claims (FFCs) as well as the sugar-free and low-sugar categories continued to expand due to the further rise in health consciousness.

Kirin Beverage Company, Limited (Kirin Beverage) focused on the Health Science domain as one of the pillars of its business in addition to its existing non-alcoholic beverage business and invested aggressively in health-focused initiatives based on a “post-COVID recovery based on CSV” thinking. In the existing non-alcoholic beverage business, Kirin Beverage took the growing demand for sugar-free products as an opportunity to strengthen the lineup of the *Kirin Gogo-no-Kocha Oishii Muto (sugar-free)* series under the *Kirin Gogo-no-Kocha* brand. In addition to focusing on the health area, Kirin Beverage also focused on environmental initiatives. For the *Kirin Nama-cha* brand, Kirin Beverage launched *Kirin Nama-cha* in R100 PET bottles, which are made of 100% recycled PET plastic, as well as labelless PET bottles to cater to growing consumer environmental awareness. In the Health Science domain, Kirin Beverage worked to instill an “immune care” habit in consumers by rolling out beverages that contain LC-Plasma, labeled as foods with functional claims for immune function. In addition to reinforcing the *iMUSE* brand, Kirin Beverage launched *Kirin Gogo-no-Kocha Milk Tea Plus* and *Kirin Nama-cha Life Plus Immune Assist* to make it easier for people who want more access to immunity-related products to get LC-Plasma. As a result, Kirin Beverage was able to achieve the annual sales target of 5 million cases of beverages containing LC-Plasma, which Kirin Beverage revised upward during the fiscal year.

While the operating environment remained severe due to the impact of COVID-19 and other factors, overall sales volume of soft drinks decreased slightly, but Kirin Beverage worked to improve profitability through structural reforms in the vending machine business and further focusing on small-sized PET products.

As a result, revenue decreased by 3.1% to ¥244.4 billion due to a decline in sales volume. In addition, despite efforts to reduce sales promotion and advertising expenses, normalized operating profit decreased by 3.0% to ¥21.1 billion due to a decline in sales volume and difference of change in products mix and in composition ratio of containers, etc. caused by changes in the channel composition ratio.

Oceania Adult Beverages Business

Following the sale of the dairy beverage business in January 2021, sales revenue for Lion Pty Ltd (Lion) declined significantly. In the alcoholic beverages business, the on-premise market in Australia and New Zealand was affected by COVID-19, however, the market has been recovering since mid-October with the gradual lifting of COVID-related movement restrictions, and sales volume in the premium beer and craft beer categories increased year on year.

Lion's craft beer business is positioned as a future growth area. To further solidify the Australian craft beer business, Lion also completed the full

acquisition of shares in Fermentum, Australia's largest independent craft brewer. In the craft beer business in the United States, New Belgium Brewing's *Voodoo Ranger*, which is highly popular among young people, accurately captured demand for home use and sales were strong. In addition, Lion announced the acquisition of Bell's Brewery to expand the scale of its operations in the United States and create synergies. As a result, although yen-based revenue decreased by 26.0% to ¥216.3 billion, yen-based normalized operating profit increased by 20.0% to ¥26.6 billion through progress in its craft beer strategy and cost reduction efforts.

Pharmaceuticals Business

In the first year of the 2021 Medium Term Business Plan, Kyowa Kirin Co., Ltd. (Kyowa Kirin) has established a new mission statement to guide it through to 2030, and worked to achieve growth as a Japan-based Global Specialty Pharmaceutical company.

In 2021, while the global pharmaceutical environment continued to be affected by COVID-19 as in the previous year—limiting Kyowa Kirin's business activities—Kyowa Kirin steadily grew its global strategic products, including *Crysvita* and *Poteligeo*. Kyowa Kirin also made steady progress in the development of next-generation strategic products such as *KHK4083* and *ME-401 (zandelisib)* in the field of oncology. On the other hand, Kyowa Kirin was unable to obtain approval for the *KW-6002 (istradefylline)* global strategic product in Europe. Kyowa Kirin will continue to closely monitor the decisions of the authorities in each country and respond appropriately for the products that are pending filing and approval. As a result, revenue increased by 10.7% to ¥351.7 billion due to an increase in overseas pharmaceutical sales, particularly of global strategic products. Despite an increase in selling, general and administrative expenses related to sales of global strategic products, normalized operating profit increased by 3.7% to ¥61.2 billion due to an increase in gross profit resulting from higher revenue.

Results of other major businesses are as follows.

Kyowa Hakko Bio Co., Ltd. (Kyowa Hakko Bio)

Since receiving administrative punishment for deviating from manufacturing methods at the end of 2019, Kyowa Hakko Bio has rebuilt its entire business system with quality as the basis for all operations. Kyowa Hakko Bio has positioned 2021 as a year to move from revitalization to growth. With quality as the foundation of all its operations, Kyowa Hakko Bio has worked to restore the trust of consumers by gradually reviving its manufacturing volume. At the end of December, Kyowa Hakko Bio transferred control of its consumer products business to Kirin Holdings, and by concentrating on BtoB business, Kyowa Hakko Bio established an operating structure that will accelerate the development of new ingredients by utilizing cutting-edge fermentation technologies and biotechnology knowhow it has cultivated over many years. Despite challenges such as the sharp rise in raw material and fuel costs, etc. due to the impact of COVID-19, Kyowa Hakko Bio worked to reform its organizational culture, improve its product portfolio, and reform its operating structure, among others, resulting in a return to profitability in 2021. As a result, revenue decreased by 7.5% to ¥53.0 billion, and normalized operating profit amounted to ¥0.4 billion.

Mercian Corporation (Mercian)

Mercian worked to expand the number of wine drinkers and improve profitability in the off-premise (home) wine market. In the midst of diversifying consumer wine tastes due to environmental changes such as the impact of COVID-19, Mercian debuted *MOCK Bar*, a non-alcoholic sangria that offers the luxury of fruit juice and the lingering taste of wine. In addition, development of high-quality products in the organic wine category that are environmentally friendly were well-received by consumers. In the *Château Mercian* business, the Mariko Winery was selected as one of the World's Best Vineyards in 2021 for the second year in a row. However, revenue decreased by 6.8% to ¥57.9 billion, and normalized operating profit decreased by 35.1% to ¥2.3 billion.

Myanmar Brewery Limited (Myanmar Brewery)

In Myanmar, the on-premise market declined significantly due to the re-emergence of COVID-19 and the political changes that occurred in February 2021. In Myanmar, the beer market shrank by about 20% due to the effects of financial and supply chain disruptions. In addition, due to a decrease in production volume caused by material shortages and other factors, as well as restrictions on sales activities, Myanmar Brewery's sales volume decreased by approximately 30% compared to the same period of the previous year. As a result, revenue decreased by 39.3% to ¥19.3 billion, and normalized operating profit decreased 52.2% to ¥6.6 billion.

Coca-Cola Beverages Northeast, Inc. (Coke Northeast)

The United States beverage market overall sales volume increased due to the expansion of e-commerce sales and a significant increase in household consumption due to the impact of COVID-19, as well as a recovery in the on-premise market associated with an increase in the COVID-19 vaccination rate. On the other hand, inflation occurred as the supply of goods and services could not keep up with the recovery in consumer spending. In the midst of these market changes, Coke Northeast achieved the highest profit in its history through price revisions, continuous cost reduction, and operational efficiency. As a result, revenue increased by 19.7% to ¥154.9 billion, and normalized operating profit increased 78.3% to ¥16.5 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	655,840	3.4
Japan Non-alcoholic Beverages	115,566	(3.7)
Oceania Adult Beverages	214,474	(24.0)
Pharmaceuticals	148,755	(15.1)
Others	227,519	0.1
Total	1,362,155	(5.3)

Notes:

1. Amounts are based on selling prices.
2. The above amounts do not include consumption taxes.

(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	661,326	1.5
Japan Non-alcoholic Beverages	244,386	(3.1)
Oceania Adult Beverages	216,258	(26.0)
Pharmaceuticals	351,696	10.7
Others	347,902	3.5
Total	1,821,570	(1.5)

Notes:

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

Customer	Fiscal year ended December 31, 2020		Fiscal year ended December 31, 2021	
	Amount (¥ millions)	Percentage (%)	Amount (¥ millions)	Percentage (%)
Mitsubishi Shokuhin Co., Ltd.	223,675	12.1	225,518	12.4

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 ¥2,471.9 billion, an increase of ¥12.6 billion from the end of the previous fiscal year. Property, plant and equipment, goodwill, and intangible assets increased by ¥17.5 billion in total from the end of the previous year. This was primarily as a result of making Fermentum a subsidiary and capital investment, despite the recording of an impairment loss of ¥68.0 billion in the alcoholic beverages business in Myanmar. Inventories and trade and other receivables increased by ¥30.1 billion and ¥15.8 billion, respectively, from the end of the previous fiscal year. In contrast, assets held for sale decreased by ¥73.7 billion mainly due to the sale of the Oceania Non-alcoholic Beverages Business.

Equity increased by ¥52.1 billion from the end of the previous fiscal year to ¥1,148.0 billion due to an increase in retained earnings of ¥17.3 billion and an increase in reserves of ¥38.2 billion. The increase in reserve was mainly attributable to an increase in foreign currency translation differences on foreign operations of ¥43.8 billion due to a weak yen.

Liabilities decreased by ¥39.5 billion from the end of the previous fiscal year to ¥1,323.9 billion. Despite the issuance of straight bonds worth ¥70.0 billion in June 2021, bonds and borrowings decreased by ¥91.2 billion due to a reduction in interest-bearing liabilities. The reduction was attributable to the fact that the amount procured was kept below the repayment amount mainly resulting from increased capital efficiency in line with the implementation of a global cash management system. Meanwhile, other non-current liabilities and other current liabilities increased by ¥29.5 billion and ¥13.3 billion, respectively, mainly due to an increase in up-front payment of Kyowa Kirin.

As a result, the equity ratio attributable to owners of the Company and the gross debt equity ratio stood at 36.2% and 0.62 times, respectively.

2) Financial status of reportable segments

Japan Beer and Spirits

Segment assets of the Japan Beer and Spirits Business at the end of this fiscal year increased by ¥8.4 billion to ¥432.8 billion from the end of the previous fiscal year mainly due to capital investment in property, plant and equipment.

Japan Non-alcoholic Beverages

Segment assets of the Japan Non-alcoholic Beverages Business at the end of this fiscal year decreased by ¥10.7 billion to ¥139.2 billion from the end of the previous fiscal year mainly due to the sale of cross-holdings shares.

Oceania Adult Beverages

Segment assets of the Oceania Adult Beverages Business at the end of this fiscal year increased by ¥4.5 billion to ¥475.9 billion from the end of the previous fiscal year. This was mainly because property, plant and equipment and intangible assets increased primarily as a result of making Fermentum a subsidiary and capital investment, despite the sale of the Oceania Non-alcoholic Beverages Business.

Pharmaceuticals

Segment assets of the Pharmaceuticals Business at the end of this fiscal year increased by ¥120.4 billion to ¥862.1 billion from the end of the previous fiscal year mainly due to an increase in other financial assets and deferred tax assets.

(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 ¥149.5 billion, a decrease of ¥12.2 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 ¥54.5 billion year on year to ¥219.3 billion. Although outflow of working capital increased by ¥20.6 billion and profit before tax decreased by ¥24.9 billion, a ¥47.8 billion increase in impairment loss, which is a non-cash item, as well as the proceeds from up-front payment of Kyowa Kirin resulted in an increase of ¥29.2 billion in the sub-total. Below the sub-total line, cash flows from operating activities increased year on year due to a ¥25.0 billion decrease in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities decreased by ¥59.6 billion year on year to ¥56.4 billion. The decrease was mainly because proceeds from sale of shares of subsidiaries, net of cash disposed of increased by ¥42.9 billion year on year to ¥42.9 billion as a result of the sale of the Oceania Non-alcoholic Beverages Business in this fiscal year. Meanwhile, acquisition of shares of subsidiaries, net of cash acquired increased by ¥5.8 billion year on year to ¥45.5 billion as a result of making Fermentum a subsidiary in this fiscal year, while making New Belgium Brewing a subsidiary in the same period of the previous fiscal year. Outflow for acquisition of property, plant and equipment and intangible assets decreased by ¥6.7 billion year on year to ¥86.3 billion. There was inflow of ¥22.1 billion for sale of investments through our continuous efforts to reduce cross-shareholdings.

Cash flows from financing activities

Net cash used in financing activities increased by ¥128.0 billion year on year to ¥180.5 billion. The Company continued to provide dividends based on a consolidated dividend payout ratio on normalized EPS of at least 40%. As a result, dividends paid, including to non-controlling interests, amounted to ¥65.4 billion. In addition, interest-bearing liabilities decreased by ¥96.4 billion in this fiscal year. The reduction was attributable to the fact that the amount procured was kept below the repayment amount mainly resulting from increased capital efficiency in line with the implementation of a global cash management system.

These initiatives enabled us to stabilize our capital structure through stable and continuous shareholder returns and the reduction of interest-bearing liabilities, while investing in existing businesses and making growth investment.

The 2022–2024 MTBP sets out the outline of financial strategy, under which cash generated from “cash generation through BS (balance sheet) / PF (portfolio) management” will be allocated to disciplined investment to acquire growth drivers as well as flexible shareholder return policy. By steadily implementing the strategy, we will achieve our financial targets of a normalized EPS CAGR of at least 11% by 2024 and ROIC of at least 10% as of 2024, so as to 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.

4. 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. In February 2021, Kyowa Kirin announced positive results from a Phase 2 study in patients with moderate-to-severe atopic dermatitis, and plans to move on to a Phase 3 study.

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 will make a U.S.\$400 million up-front payment to Kyowa Kirin and 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.

Transfer of shares of China Resources Kirin Beverages (Greater China) Company, Limited

On February 16, 2022, the Company agreed with Plateau Consumer Limited (hereinafter, "Plateau") to transfer its equity interest in China Resources Kirin Beverages (Greater China) Company, Limited, the holding company of China Resources C'estbon Beverage (China) Investment Company Limited which operates a beverage business centered on water in China, joint venture with China Resources Enterprise, Limited, to Plateau and executed a share purchase agreement.

The details are as stated in "V. FINANCIAL INFORMATION, Notes to Consolidated Financial Statements, 39. SUBSEQUENT EVENTS."

5. RESEARCH AND DEVELOPMENT ACTIVITIES

The Kirin Group 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, the Kirin Group has worked to facilitate innovation that will help establish the Health Science business, which is positioned between the Food & Beverages domain (alcoholic and non-alcoholic beverages businesses) and the Pharmaceuticals domain (Pharmaceuticals Businesses), in addition to such two existing business domains. The Group's research and development activities take place at the three research institutes of the Research & Development Division of Kirin Holdings Company, Limited and other research institutes of its operating companies.

The Kirin Group's research and development expenses for this fiscal year amounted to ¥69.6 billion. Major outcomes of our research and development efforts by segment are as below. Research and development expenses incurred in the Research & Development Division of Kirin Holdings Company, Limited are included in "Administration."

Japan Beer and Spirits Businesses

Kirin Brewery Company, Limited (Kirin Brewery) plays the central role in product development from selecting ingredients to finalizing products in the Japan Beer and Spirits Businesses.

We revamped our flagship brand *KIRIN ICHIBAN* to make it even more delicious in February 2021. Especially in the revamp, we reviewed the manufacturing process in pursuit of the most delicious beer. We optimized preparation conditions to make "umami" in the barley flavor more perceptible and also optimized fermentation conditions to have a clear flavor. As a result, we achieved the best delicious taste of beer—never-get-bored and easy-drinking—we were seeking.

In March 2021, Kirin Brewery launched a new line of canned craft beer, *SPRING VALLEY Hojun 496*. Kirin Brewery aims to make the beer market more attractive to consumers by offering craft beer and broadening the choice of tasty Japanese beer available. The demand for craft beer has been increasing since 2014, following the expansion of touchpoints of craft beer with customers at places such as breweries and restaurants. Hoping that customers enjoy *SPRING VALLEY Hojun 496* at their homes, we have launched it as a canned product. The number 496 in its name is known as a perfect number, from which our development of *SPRING VALLEY Hojun 496* started. It has a rich flavor with a refreshing aftertaste, so people will want to drink this beer every day, while the concept and well-balanced taste remain unchanged.

In March 2021, Kirin Brewery revamped a non-alcoholic beer taste beverage *KIRIN KARADA FREE*, which is a food with functional claims. It contains *Matured Hop Extract* obtained from hops, an ingredient of beer, which took more than ten years to develop. *Matured hop bitter acids*, a bittering agent from matured hops, have an effect to reduce body fat. *KIRIN KARADA FREE* has been highly appreciated by customers for its functionality to reduce body fat around the waist and a refreshing taste they can relish every day. In the revamp, we reviewed the blend of ingredients so that it has a smoother and refreshing taste and a clear aftertaste.

In spring 2021, Kirin Brewery launched a draft beer subscription service *KIRIN Home Tap* in full scale around the country. We started this service as we wanted to deliver freshly made deliciousness to our customers. We deliver draft beer to subscribers' homes twice a month so they can enjoy it with a dedicated beer tap. To subscribers, *KIRIN ICHIBAN Premium* (the top brand beer of the *KIRIN ICHIBAN* series) is delivered in PET bottles with a proprietary coating that prevents oxygen permeation. The beer tap has a cold retention feature and is thoughtfully designed to provide authentic draft beer experience. For example, it allows users to easily make creamy beer foam. We will contribute to increasing the attractiveness of beer and revitalizing the beer market through new beer drinking experiences, such as delivering freshly made deliciousness and providing the joy of pouring beer from taps.

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

Japan Non-alcoholic Beverages Businesses

Kirin Beverage Company, Limited (Kirin Beverage) plays the central role in product development from selecting ingredients to finalizing products in the Japan Non-alcoholic Beverages Businesses.

In October 2021, Kirin Beverage launched two new food with functional claims products, *Kirin Gogo-no-Kocha Milk Tea Plus* and *Kirin Nama-cha Life Plus Immune Assist*, which contain Kirin's proprietary *Lactococcus lactis* strain Plasma (LC-Plasma). These are the first food with functional claims in Japan that claim to have immune functions for black and green teas. In recent years, interest in immunity as a purchasing factor has been increasing. Kirin Beverage has learned that approximately 70%^{*1} of people is aware of advancements in immunity added-value but remain stagnant—they have yet to take action to prioritize immune function in purchasing decisions. In order to tap into the latest people's demand and to spread the “immune system care”^{*2} habit widely in Japan, Kirin Beverage launched new products containing LC-Plasma from two priority brands, *Gogo-no-Kocha* and *Nama-cha*, both highly recognized by Japanese customers.

In May 2021, we launched food with functional claims products claiming to help consumers retain their capacity of memory, which declines with age. The products include β -Lactolin, a proprietary ingredient of Kirin Holdings. β -Lactolin is a milk-derived, functional ingredient for food with functional claims products that helps retain memory capacity, which declines with age. It was discovered during cooperative neuroscientific research between Kyowa Kirin Co., Ltd. (Kyowa Kirin) and Koiwai Dairy Products Company, Limited (Koiwai Dairy Products). Kirin focused on epidemiological studies^{*3} that showed that daily consumption of dairy products is beneficial for retaining memory capacity and other cognitive functions, and Kirin was the first company in the world to discover the effect of milk-derived β -Lactolin on the maintenance of brain cognitive function^{*4}. Kirin discovered β -Lactolin, an active ingredient contained in daily products such as camembert cheese, and then applied its expertise in fermentation to develop an ingredient that makes it easy to efficiently consume β -Lactolin.

In April 2021, Kirin Beverage launched *Kirin x FANCL Daily AMINO Water*, jointly developed with FANCL CORPORATION (FANCL). Kirin Beverage and FANCL developed this completely new type of product by capitalizing on each other's strengths, namely FANCL's long-time focus on health and beauty and Kirin Beverage's experience providing delicious, safe beverages. Recent circumstances have caused changes in consumer awareness and behavior. For example, more than 70% of respondents to a 2020 survey reported that they have rediscovered the importance of health and being prepared for risks^{*5}. Based on the precepts of FANCL's “Efficacy in Body” design^{*6}, *Kirin x FANCL Daily AMINO Water* contains a mix of arginine and citrulline—two amino acids associated with vitality—as well as citric acid and vitamin C. Coupled with Kirin Beverage's development technology, the result is a refreshing, invigorating drink. As consumers strive to keep their physical condition better, *Kirin x FANCL Daily AMINO Water* helps them form a healthy new habit of hydrating and replenishing amino acids required to keep their bodies running smoothly.

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

*1 Survey conducted by Kirin Beverage in May 2021 (n = 10,000)

*2 A regular lifestyle, well-balanced diet, adequate sleep and moderate exercise are basics.

*3 Ozawa M, et al. Am J Clin Nutr. 2013, (5): 1076-82

*4 The world's first discovery of a whey protein-derived peptide supporting human memory function (cued recall, among publications introduced in Pubmed and Ichushi-Web site, searched by KnowledgeWire Corporation on Feb. 28, 2021.)

*5 Source: 2020 Dentsu survey of changes in awareness and behavior

*6 FANCL's distinct approach to ingredient design that includes researching how different mixes of ingredients cause them to enhance each other's functions, as well as studying the persistence and absorptiveness of individual ingredients

Oceania Adult Beverages Business

In the Oceania Adult Beverages Business, Lion Pty Ltd has developed beverages and their containers using the technologies held by Kirin Holdings, in response to changes in the market environments of Australia and New Zealand.

Research and development expenses spent for this segment amounted to ¥0 billion.

Pharmaceuticals Business

Kyowa Kirin Co., Ltd. (Kyowa Kirin) has been investing resources in research and development activities continuously and proactively. Kyowa Kirin aims to build a more competitive pipeline and globally deliver new drugs that offer life-changing value. Kyowa Kirin enables this by developing both of its technology with which it pursues the possibilities of diverse modalities and builds a platform that leads to innovative new therapies, and disease biology with which it continues to provide “only-one value drug” for unmet medical needs while utilizing the disease science cultivated to date within Kyowa Kirin.

The progress of Kyowa Kirin’s main late-stage development products in each field is as follows:

Nephrology field

RTA 402

- In January 2021, Kyowa Kirin initiated a Phase 3 study of *RTA 402* for autosomal dominant polycystic kidney disease (ADPKD) in Japan.
- In July 2021, Kyowa Kirin submitted a new application of *RTA 402* for Alport Syndrome in Japan.

KHK7791

- In April 2021, Kyowa Kirin initiated in Japan Phase 3 studies of *KHK7791* for hyperphosphatemia in patients on hemodialysis and peritoneal dialysis.

Oncology field

KW-0761 (Poteligeo in Japan, the United States, and Europe)

- In June 2021, Kyowa Kirin submitted a new application of its indication for treatment of Mycosis Fungoides and Sézary Syndrome in China.

KRN125 (G-Lasta in Japan)

- In March 2021, Kyowa Kirin submitted in Japan an application for a partial change of the approved indication of *G-Lasta* for the mobilization of hematopoietic stem cells into peripheral blood for allogeneic blood stem cell transplantation.
- In August 2021, Kyowa Kirin submitted in Japan a new application of an automated injection device for decreasing the incidence of febrile neutropenia in patients receiving cancer chemotherapy.
- In September 2021, Kyowa Kirin initiated in Japan a Phase 2 study for the mobilization of hematopoietic stem cells into peripheral blood for autologous blood stem cell transplantation.

ME-401

- In June 2021, Kyowa Kirin initiated an additional study arm of the global Phase 2 joint study for marginal zone lymphoma.
- In August 2021, Kyowa Kirin initiated a global Phase 3 joint study that evaluates *zandelisib (ME-401)* in combination with *rituximab* in patients with relapsed or refractory follicular or marginal zone lymphomas.

Immunology and allergy field

KHK4083/AMG451

- In June 2021, Kyowa Kirin entered into an agreement with Amgen for the joint development and commercialization for the treatment of atopic dermatitis.

KHK4827 (Lumicef in Japan)

- In December 2021, Kyowa Kirin submitted in Japan an application for a partial change of the approved indication of *Lumicef* for systemic sclerosis.

Others

KRN23 (Crysvita in Japan, the United States, and Europe)

- In January 2021, Kyowa Kirin’s application for partial changes to its biologics license application for the approval of its indication for treatment of tumor induced osteomalacia was accepted in Europe (the application was submitted in December 2020).
- In January 2021, Kyowa Kirin obtained approval of its indication for treatment of X-linked hypophosphatemic rickets and osteomalacia in China.
- In March 2021, Kyowa Kirin obtained approval of its indication for treatment of tumor induced osteomalacia in China.

AMG531 (Romiplate in Japan)

In August 2021, Kyowa Kirin obtained approval of its indication for treatment of aplastic anemia patients with refractory to or ineligible for immunosuppressive therapy in South Korea.

Research and development expenses spent for this segment amounted to ¥57.4 billion.

Other Businesses and Administration

Mercian Corporation (Mercian) engages in research and technological development for wine and product development in cooperation with the Institute for Future Beverages of Kirin Holdings Company, Limited.

In June 2021, Mercian revamped *FRANZIA*, the world's No. 1 brand in wine sales volume. Specifically, red, white, and dark red wines of *FRANZIA* (both in bottle and bag in box) were reformulated. Domestic bottling of the *FRANZIA* brand wine was started in 2008 at the Mercian Fujisawa Plant (in Fujisawa, Kanagawa). With its fresh and fruity taste, the *FRANZIA* wine has been well-received by customers who want to enjoy wine casually. With this revamp, Mercian further improved the fresh and fruity taste, which characterizes the *FRANZIA* wine, by blending the current *FRANZIA* wine with wine vinified in Japan and made of grape juice we selected from around the world.

Based on their philosophy of growing the right variety in the right place, Château Mercian secures and develops areas suitable for cultivation before engaging in growing suitable varieties. *Château Mercian Fuefuki Koshu Gris de Gris 2019* was the only Japanese wine to win Gold at the International Wine Challenge 2021, held in April 2021 in London, the U.K. It was also the first time in the competition's history that a producing region other than world-renowned orange wine producer Georgia won a Gold medal in the Orange Wine category. Six other Château Mercian wines won Silver medals, and other five wines won Bronze medals, bringing their total to 12. One of Japan's leading wineries, Château Mercian produces wines of exquisite quality. They are committed to communicating this quality in Japan and globally in order to increase brand recognition and contribute to the development of the Japanese wine industry.

In October 2021, the Mercian Yatsushiro Plant received the Minister of the Environment Award for Promotion of Recycling-oriented Society in recognition of its efforts on the use of lees of *shochu* (Japanese distilled spirit) for livestock feed. The plant started providing pig farmers in Kumamoto with lees of *shochu* for livestock feed in 2015. The lees used over six years from 2015 to 2020 totaled to 7,158 tons. Through this initiative, CO₂ emissions from the Yatsushiro Plant reduced by 222 tons, and pig farmers' cost of feed also declined. In 2019, joint research by the University of Tokyo and Kirin Central Research Institute of Kirin Holdings discovered for the first time in the world that lees of *shochu* can reduce stress in pigs and improve the meat quality. The plant was commended for opening up new possibilities for the effective use of lees of *shochu* and contributing to creating a recycling-oriented society.

Kyowa Hakko Bio Co., Ltd. (Kyowa Hakko Bio) aims to be a "global specialty fermentation manufacturer" with multiple cost-competitive product pipelines, including *Citicolin* and *Human Milk Oligosaccharide (HMO)*, and continues to focus on cutting-edge fermentation technology cultivated over many years.

We started the expansion of *Citicoline* production facilities at Kyowa Hakko Bio's Yamaguchi Production Center. Through the establishment of a stable global supply network of *Citicoline*, Kyowa Hakko Bio will meet the need to support overall cognitive health, such as prevention of age-related decline in brain function, and promote focus and attention.

Meanwhile, at Thai Kyowa Biotechnologies Co., Ltd., we started the construction of a new *HMO* production facility. Kyowa Hakko Bio was the first company in the world to establish an industrial-scale *HMO* production system. The functions of *HMO* include promotion of brain development in newborn babies, effects on immune system development, improvement of resistance to infections, and anti-inflammatory. *HMO* is reportedly to increase the number of good *Bifidobacteria* and improve the intestinal environment. After the establishment of this production system, Kyowa Hakko Bio plans to supply *HMOs* to other companies as well as utilize *HMOs* for its own and the Kirin Group's product development so that it can contribute to addressing health-related social issues.

Kirin Holdings and FANCL have been working together on various joint research projects since the capital and business alliance concluded in 2019. Kirin Holdings and FANCL confirmed in a continuous study that a serum containing *14-dehydroergosterol (14-DHE)*, an ingredient in extracts of Kirin Holdings' proprietary *White Koji* mold (hereinafter, the "White Koji Mold Extract"), can increase the amount of *Arginase 1*^{*1} in the skin, leading to improvements in aging skin, including improvements in skin texture and skin complexion. As we learned that the White Koji Mold Extract is effective in treating the skin concerns of middle-age adults, FANCL formulated it in its skincare products. Furthermore, our joint research confirmed that *Matured Hop Extract (MHE)* swells keratin, the main component of keratotic substances, and has an antioxidant effect on sebum. Based on these findings, we found that *MHE* approaches both keratin and sebum, which are factors in the formation of keratin plugs. FANCL formulated *MHE* in its skincare products as it is effective to improve the condition of skin pores.

As for "brain function," which is one of the priority areas of the Health Science Business, we aim to provide non-food solutions that help people keep the brain healthy through daily habits. To achieve this, we are working on research and development together with companies in different industries, local governments, universities, and research institutions. As saying goes "laughter is the key to happiness," humor and laughter have been thought to have a positive effect on the brain and mind since long ago, but no scientific validation was fully conducted. Kirin Holdings, together with Yoshimoto Kogyo Holdings Co., Ltd., Hamamatsu City of Shizuoka, and Kindai University, investigated the effects of laughter on the health of the brain and mind. Our clinical research revealed that laughter can stimulate an increase in cerebral blood flow, increase concentration, and improve stress response. Based on the results, we aim to develop new services to help people keep the brain healthy that can continue to be used easily in everyday life.

Research and development expenses spent for the Other Businesses and Administration amounted to ¥10.4 billion.

*1 *Arginase 1* is a type of protein, an enzyme that has the ability to prevent blemishes by suppressing the production of reactive oxygen species, and regulating the balance so that melanin production does not occur. It is localized mostly on the surface of the skin. It increases during inflammation of the body and has the function of normalizing it. FANCL has conducted research on it for many years and has elucidated the following four functions: (1) inhibiting the increase of skin redness caused by ultraviolet rays radiation, (2) inhibiting melanin stimulating factors and collagen-degrading enzymes, (3) inhibiting the degradation of barrier function and expansion of inflammation caused by oxidation, and (4) inhibiting damage and aging caused by glycated substances.

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 ¥88,323 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 ¥24,543 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 ¥7,154 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 ¥8,994 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 ¥16,014 million. Capital expenditures in other businesses amounted to ¥31,619 million.

We recorded impairment losses of ¥19,068 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, 2021

Segment	Carrying amount (¥ millions)					Number of employees (persons)
	Buildings and structures	Machinery, equipment and vehicles	Land	Others	Total	
Japan Beer and Spirits	46,971	35,941	27,442	23,691	134,045	4,315 [890]
Japan Non-alcoholic Beverages	7,656	7,546	8,549	20,140	43,891	3,568 [505]
Oceania Adult Beverages	41,992	74,004	21,442	5,618	143,056	3,502 [516]
Pharmaceuticals	41,164	11,452	12,662	13,145	78,423	5,752 [211]
Others	58,164	37,202	16,746	15,332	127,444	10,914 [1,955]
Sub-total	195,948	166,146	86,841	77,925	526,860	28,051 [4,077]
Eliminations or corporate	6,752	(2,352)	(6,314)	8,913	6,999	1,464 [-]
Total	202,700	163,794	80,527	86,838	533,859	29,515 [4,077]

(2) INFORMATION ABOUT REPORTING COMPANY

As of December 31, 2021

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	11,601	1,041	1,901 (185)	7,877	22,419	1,156 [-]

(3) DOMESTIC SUBSIDIARIES

As of December 31, 2021

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	35,189	29,926	23,837 (2,669)	11,772	100,724	1,401 [80]
Kirin Beverage Company, Limited	Kanto Metropolis Area Division (Chiyoda-ku, Tokyo)	Japan Non- alcoholic Beverages	Other facilities	14	—	—	7,049	7,063	188 [19]
Kirin Beverage Company, Limited	Shonan Plant (Samukawa- machi, Koza- gun, Kanagawa)	Japan Non- alcoholic Beverages	Manufacturing facilities	2,230	1,331	1,980 (74)	4,643	10,184	219 [22]
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki, Gunma)	Pharmaceuticals	Manufacturing facilities	11,925	8,427	315 (142)	2,659	23,326	456 [30]
Kyowa Kirin Co., Ltd.	Tokyo Research Park (Machida, Tokyo)	Pharmaceuticals	Research facilities	3,113	9	3,366 (35)	869	7,358	154 [4]
Kyowa Kirin Co., Ltd.	Fuji Research Park (Nagaizumi- cho, Suntou- gun, Shizuoka)	Pharmaceuticals	Research facilities	4,869	77	252 (82)	969	6,166	302 [2]
Kyowa Kirin Co., Ltd.	Head Office (Chiyoda-ku, Tokyo)	Pharmaceuticals	Administration facilities, etc.	5,541	162	1,247 (2)	272	7,222	1,090 [36]
Kyowa Hakko Bio Co., Ltd.	Yamaguchi Production Center (Hohu, Yamaguchi)	Others	Manufacturing facilities	4,909	4,548	433 (581)	3,958	13,848	561 [—]

(4) OVERSEAS SUBSIDIARIES

As of December 31, 2021

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.	32,275	65,442	19,500 (8,747)	4,685	121,902	2,590 [411]
Coca-Cola Beverages Northeast, Inc. (USA)	Others	Manufacturing facilities, etc.	12,217	11,500	4,746 (1,417)	3,645	32,108	3,385 [33]
Thai Kyowa Biotechnologies Co., Ltd. (Thailand)	Others	Manufacturing facilities, etc.	3,397	3,825	2,109 (211)	4,947	14,278	217 [5]

The carrying amounts of Lion Pty Ltd are its consolidated accounting figures. The carrying amounts of Coca-Cola Beverages Northeast, Inc. and Thai Kyowa Biotechnologies Co., Ltd. are their respective 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" are those of tools, fixtures and fittings, and construction in progress.
3. The number of temporary employees indicated separately 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	Construction of New Quality Building	14,000	1,139	October 2020	December 2022

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, 2021)	Number of shares outstanding as of filing date (shares) (March 30, 2022)	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	First Section of the Tokyo Stock Exchange, First Section of the Nagoya Stock Exchange, the Fukuoka Stock Exchange, and the Sapporo Securities Exchange	Note 1
Total	914,000,000	914,000,000	—	—

Notes:

- 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.
- In the United States, the Company's shares are traded in the secondary market for private equity in the form of ADR (American Depositary Receipt).

(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, 2021

As of December 31, 2021

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)	2	177	68	2,012	734	421	316,546	319,960	—
Number of shares held (units)	120	2,823,252	683,524	345,309	2,358,130	1,370	2,912,786	9,124,491	1,550,900
Percentage of shareholdings (%)	0.00	30.94	7.49	3.78	25.84	0.01	31.92	100.00	—

Notes:

1. The number of treasury shares is 80,029,050, of which 800,290 units and 50 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, 2021

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	127,742	15.31
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku	42,209	5.06
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)	32,996	3.95
Custody Bank of Japan, Ltd. (Trust account 4)	8-12, Harumi 1-chome, Chuo-ku	22,465	2.69
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku	17,799	2.13
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)	15,250	1.82
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku	14,577	1.74
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)	14,411	1.72
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)	11,689	1.40
STATE STREET BANK AND TRUST COMPANY 505223 (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)	11,097	1.33
Total	–	310,238	37.20

Notes:

1. In addition to the above, the Company holds 80,029 thousand treasury shares (8.75%).
2. Mitsubishi UFJ Financial Group, Inc. submitted a statement of large-volume holdings on January 7, 2022 with the joint holders of Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. However, the Company is not able to fully confirm the number of shares held by these corporations as of December 31, 2021, therefore, they are not included in the list of major shareholders above. According to the statement of large-volume holdings, the shareholding status of the corporations as of December 27, 2021 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	31,028	3.39
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	9,050	0.99
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo	10,823	1.18
Total	—	50,902	5.57

3. Sumitomo Mitsui Trust Asset Management Co., Ltd. submitted a statement of large-volume holdings (statement of changes) on December 21, 2021 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, 2021, 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 15, 2021 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	42,271	4.62
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo	16,898	1.85
Total	—	59,169	6.47

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, 2021, 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

5. Nomura Securities Co., Ltd. submitted a statement of large-volume holdings on April 6, 2021 with the joint holders of Nomura International plc and Nomura 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, 2021, therefore, they are not included in the list of major shareholders above.

According to the statement of large-volume holdings, the shareholding status of the corporations as of March 31, 2021 is as follows:

Name	Address	Number of shares held (thousand shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd.	13-1, Nihombashi 1-chome, Chuo-ku, Tokyo	(107)	(0.01)
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	6,041	0.66
Nomura Asset Management Co., Ltd.	2-1, Toyosu 2-chome, Koto-ku, Tokyo	40,750	4.46
Total	—	46,683	5.11

(7) VOTING RIGHTS

1) Outstanding shares

As of December 31, 2021

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 80,029,000	—	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 832,420,100	8,324,201	Same as above
Shares less than one unit	Ordinary shares 1,550,900	—	—
Total outstanding shares	914,000,000	—	—
Voting rights held by all shareholders	—	8,324,201	—

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 385,135 shares (voting rights of 3,851 units) held in the Board Incentive Plan (BIP) Trust. The voting rights of 3,851 units are not exercised.
3. "Shares less than one unit" of ordinary shares include 50 treasury shares.

2) Treasury shares, etc.

As of December 31, 2021

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	80,029,000	—	80,029,000	8.75
Total	—	80,029,000	—	80,029,000	8.75

Note: The above treasury shares do not include 385,135 shares held in the BIP Trust.

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

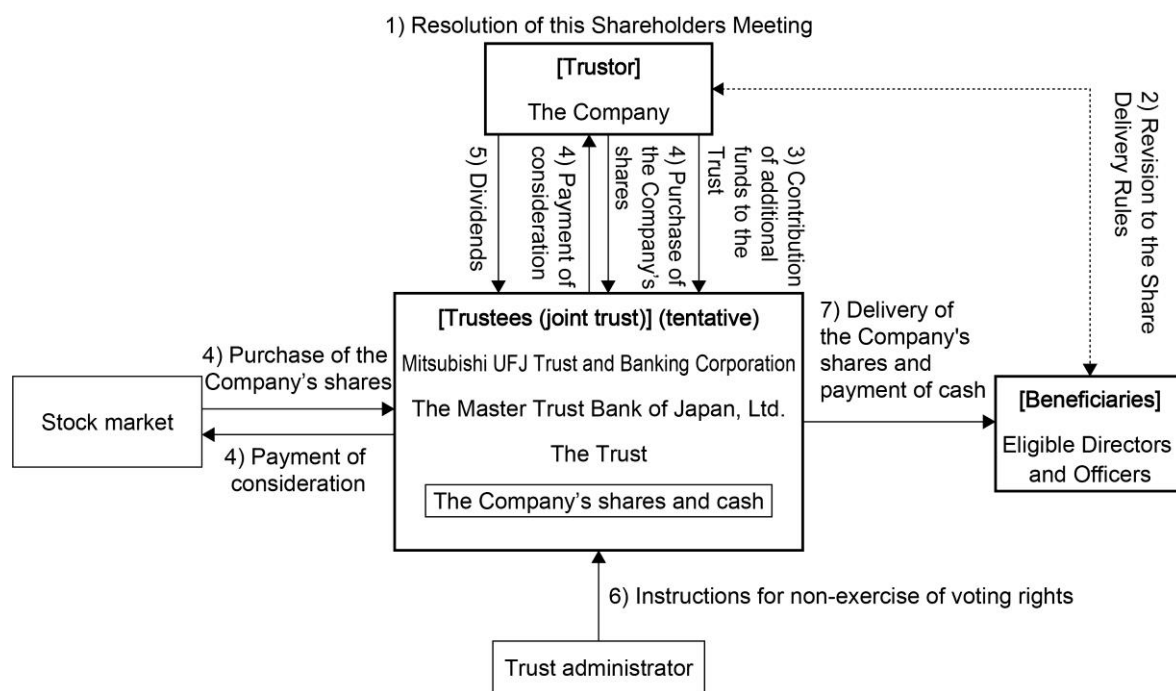
The Company has introduced a trust-type stock compensation plan for the Company's Directors of the Board (excluding Non-executive Directors) and Executive Officers (excluding those concurrently serving as Directors of the Board, and those in an employment relationship with the Company) ("Eligible Directors and Officers") who are residents in Japan (the "Trust Plan"). At the 183rd Ordinary General Meeting of Shareholders held on March 30, 2022 (the "Shareholders Meeting"), the Company resolved to revise the Trust Plan.

1) Outline of the revised 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").

Due to the expiry of the trust period of the existing Trust, the Trust Plan in FY2022 and thereafter will be operated by amending the trust agreement including extending the trust period and contributing additional funds to the existing Trust based on the revision approved at the Shareholders Meeting.

(i) Scheme of the Trust after revision



- 1) The Company has obtained approval at the Shareholders Meeting on the partial revision of the Trust Plan relating to officers' remuneration.
- 2) The Company shall partially revise 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, as same as to 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 revised Trust Plan

The framework of the Trust Plan is as follows:

1) Resolution at the Shareholders Meeting regarding the revision to 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 1) the Single-Year PSU linking to the level of achievement of performance for a single fiscal year, 2) the RSU without performance requirements, and 3) 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 1) the Single-Year PSU and 3) the Medium-Term Plan PSU, setting as the performance evaluation period, for 1) the Single-Year PSU, each fiscal year during the Applicable Period and, for 3) 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 2) 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 0.119% of the total number of the Company's shares outstanding (as of December 31, 2021, 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 1) 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 2) 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 3) 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 1) the Single-Year PSU, and 2) the RSU and a certain proportion of the points granted for 3) 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 (tentative) Joint trustee: The Master Trust Bank of Japan, Ltd. (tentative)
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 will be entered into in May 2022.)
8)	Trust period	From May 15, 2020 to June 30, 2022 (The period will be extended to June 30, 2025 by the amended agreement entered into in May 2022.)
9)	Exercise of voting rights	Not to be exercised
10)	Class of shares to be acquired	Ordinary shares of the Company
11)	Upper limit of trust fund	¥1,450 million per fiscal year
12)	Method for acquiring shares	Planned to acquire either from the stock market or the Company
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, Item 7 and Item 13 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, 2021	—	—
Treasury shares acquired during the fiscal year ended December 31, 2021	—	—
Total number and value of remaining treasury shares authorized	—	—
Percentage unused as of December 31, 2021 (%)	—	—
Treasury shares acquired during the period from January 1, 2022 until the filing date of this Annual Securities Report	—	—
Percentage unused as of the filing date (%)	100.0	100.0

(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, 2021	12,639	26,565
Treasury shares acquired during the period from January 1, 2022 until the filing date of this Annual Securities Report	625	1,183

Note: Treasury shares acquired during the period from January 1, 2022 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, 2022 to the filing date of this Annual Securities Report.

Acquisition under Article 155, Item 13 of the Companies Act

Category	Number of shares (shares)	Total amount (¥ thousands)
Treasury shares acquired during the fiscal year ended December 31, 2021	19,564	—
Treasury shares acquired during the period from January 1, 2022 until the filing date of this Annual Securities Report	—	—

Note: The treasury shares were acquired without consideration under the restricted stock compensation system.

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

Category	Fiscal year ended December 31, 2021		From January 1, 2022 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)	505	1,030	50	93
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	80,029,050	—	80,029,625	—

Notes:

1. “Other (shares acquired due to requests for additional purchase of shares less than one unit)” during the period from January 1, 2022 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, 2022 to the filing date of this Annual Securities Report.
2. “Treasury shares held” during the period from January 1, 2022 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, 2022 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 FY2021, based on a consolidated dividend payout ratio on normalized EPS of at least 40%, the Company decided to pay an interim dividend of ¥32.5 per share and a year-end dividend of ¥32.5 per share, for an annual dividend totaling ¥65 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 and the General Meeting of Shareholders, respectively.

Note: The resolution date of the Board 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:	August 10, 2021
Total amount of dividends:	¥27,104 million
Dividend paid per share:	¥32.5
Date of resolution by General Meeting of Shareholders:	March 30, 2022
Total amount of dividends:	¥27,104 million
Dividend paid per share:	¥32.5

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 “2027 Vision” based on the Corporate Philosophy and management principles, and respecting 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:

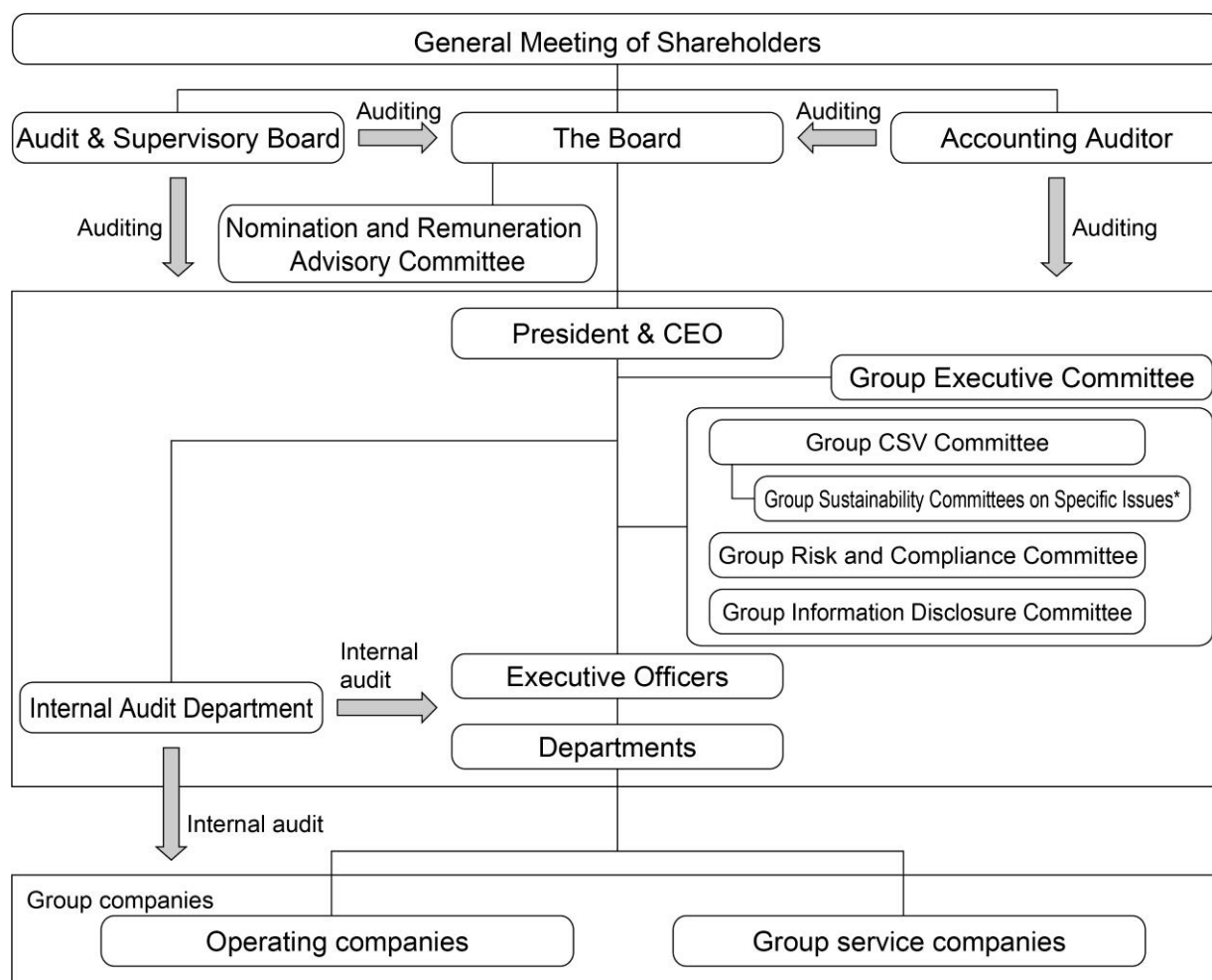
A global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals

“One KIRIN” Values:

“Passion. Integrity. Diversity.”

2) Corporate governance system

The Company’s corporate governance system is as follows:



* The Group Sustainability Committees on Specific Issues include the Group Environment Committee, the Group Human Rights Committee, and the Group Health and Productivity Management Committee.

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

- 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 twelve (12) Group companies: Kirin Brewery Company, Limited; Kirin Beverage Company, Limited; Mercian Corporation; Lion Pty Ltd; Myanmar Brewery Limited; Coca-Cola Beverages Northeast, Inc.; Kyowa Kirin Co., Ltd.; Kyowa Hakko Bio Co., Ltd.; San Miguel Brewery Inc.; China Resources Kirin Beverages (Greater China) Company, Limited; Thorne HealthTech, Inc.; and FANCL Corporation, the Directors of the Board or Executive Officers 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 Personnel & General Affairs 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:
Masakatsu Mori (Chairman of the Board, Non-executive Director), Yoshinori Isozaki, Keisuke Nishimura, Toshiya Miyoshi, Noriya Yokota, Takeshi Minakata, Hiroyuki Yanagi (Non-executive Director), Chieko Matsuda (Non-executive Director), Noriko Shiono (Non-executive Director), Rod Eddington (Non-executive Director), George Olcott (Non-executive Director), Kaoru Kato (Non-executive Director)

(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 and Supervisory Board at the time of the filing of this report is as follows:
Keiji Kuwata, Shobu Nishitani, Yoshiko Ando (Audit & Supervisory Board Member), Kaoru Kashima (Audit & Supervisory Board Member), Kenichi Fujinawa (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 President & CEO. 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:
Chieko Matsuda (Chairperson, Non-executive Director), Hiroyuki Yanagi (Non-executive Director), Noriko Shiono (Non-executive Director), Yoshinori Isozaki, Toshiya Miyoshi

(iv) Group Executive Committee

- The Company has established the Group Executive Committee as an advisory body to support the President & CEO 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 President & CEO, Executive Officers, Standing Audit & Supervisory Board Members, Strategic 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:
Shinjiro Akieda (Chairperson), Yoshinori Isozaki, Keisuke Nishimura, Toshiya Miyoshi, Noriya Yokota, Takeshi Minakata, Ryosuke Mizouchi, Junko Tsuboi, Masao Maehara, Koji Fukada, Mitsuharu Yamagata, Keiji Kuwata, Shobu Nishitani

(v) Other bodies advisory to the President & CEO

- 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.

Other information

(i) Maintenance of internal control system

The Company resolved at the Board meeting to adopt the following basic systems (the internal control system) to ensure the appropriate operation of the Company:

- (a) System to ensure compliance of performance of duties by the Directors of the Board, etc. and employees of Kirin Group companies with laws and the Articles of Incorporation (Compliance System)

The Directors of the Board of the Company shall decide upon the basic compliance policy for the Kirin Group and promote the policy by developing effective structures and provisions to execute the policy and by integrating it with the activities in each Kirin Group company. In addition, the Directors of the Board shall carry out educational programs on compliance, clarify procedures concerning responses to breaches of compliance, and make those procedures public throughout the Kirin Group companies. The Internal Audit Department of the Company shall carry out internal audits to ensure that these systems are properly developed and applied.

Also, the Directors of the Board shall establish internal control reporting system to ensure reliability of the financial reports and conduct their operation and evaluation effectively and efficiently.

- (b) System to ensure the proper preservation and maintenance of information regarding the performance of duties by the Directors of the Board of the Company (System of Information Preservation and Maintenance)
- The Directors of the Board of the Company shall preserve the following documents (including electromagnetic record) together with the related materials for at least ten years and make them available for inspection as necessary.
- Minutes of General Meeting of Shareholders
 - Minutes of Board meetings
 - Minutes of the Group Executive Committee and other significant meetings
 - Approval applications (approval authority of General Managers and above)
 - Financial statements, business reports, and their detailed statements
- (c) Regulations and other systems related to the control of the risk of loss of the Kirin Group (Risk Management System)
- The Directors of the Board of the Company 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 Kirin Group company. 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 Kirin Group companies. The Internal Audit Department of the Company shall carry out internal audits, collaborating with subsidiaries having audit function, to ensure that these systems are properly developed and applied in each Kirin Group company. The Internal Audit Department has a considerable number of employees with special expertise in internal audit, possessing or aiming to possess qualifications such as Certified Internal Auditor (CIA) and Certified Information Systems Auditor (CISA).
- (d) System to ensure the efficient performance of duties by the Directors of the Board, etc. of Kirin Group companies (Efficient Performance System)
- The Directors of the Board of the Company shall develop a management control system comprising the following items to ensure the efficient performance of duties by Directors of the Board, etc. of the Kirin Group companies.
- In addition to Board meetings, organizing the Group Executive Committee to deliberate significant matters affecting the entire Kirin Group, thereby ensuring that decisions are reached carefully based on considerations of multi-dimensional aspects;
 - Appointing the Executive Officers, who are responsible for business administration, and also dispatching Directors of the Board to each Kirin Group company to oversee appropriate and efficient performance of duties and decision making when necessary;
 - Ensuring appropriate and efficient performance of duties according to the authority and decision-making rules based on the regulations on work authority of the Company; and
 - Establishing quantitative and qualitative targets in the annual plan at each Kirin Group company and monitoring their performance by way of quarterly monitoring, etc.
- (e) System for reporting performance of duties by the Directors of the Board, etc. of Kirin Group companies and other systems to ensure appropriate operations (System for Reporting Performance of Duties and Other Group Internal Control System)
- In order to report performance of duties by the Directors of the Board, etc. of Kirin Group companies and to ensure other appropriate operations, the Directors of the Board of the Company shall develop rules and standards to be applied to each Kirin Group company, including the following items, and carry out operations in compliance with these rules and standards.
- Items related to the governance and monitoring of each Kirin Group company
 - Items related to guidance and management concerning the maintenance of the internal control system for each Kirin Group company
 - Items related to the communication system* within the Kirin Group companies
 - Items related to the Group internal audit system operated by the Internal Audit Department of the Company
- * The system to share information within the Kirin Group, the compliance hotline system, and other related items
- (f) Items regarding assignment of employees as support staff for Audit & Supervisory Board Members of the Company when they request support staff (Audit & Supervisory Board Member Related System)
- The Directors of the Board of the Company shall assign its employees as support staff for Audit & Supervisory Board Members of the Company.
- (g) Items related to the assurance that the employees assigned as support staff as in the preceding provision remain independent from the Directors of the Board of the Company and to secure the effective implementation of directions by Audit & Supervisory Board Members of the Company to these employees
- In order to ensure the independence of the employees assigned as support staff from the Directors of the Board of the Company, the consent of the Audit & Supervisory Board Members of the Company shall be required for any decision related to personnel affairs, including the appointment, transfer and assessment of such employees. Such employees shall not simultaneously assume any other assignment related to the operation of business and shall only follow instructions of the Audit & Supervisory Board Members of the Company.
- (h) System to ensure reporting to Audit & Supervisory Board Members of the Company by Directors of the Board, Audit & Supervisory Board Members and employees of Kirin Group companies
- The Directors of the Board of the Company shall report to the Audit & Supervisory Board Members of the Company on matters specified by such members in advance in accordance with the provisions of the Audit & Supervisory Board Members' audit standard of the Company. Principal items are as follows.
- Any matter that may impose material damage to any Kirin Group company, upon discovery
 - Matters that require the consent of Audit & Supervisory Board Members of the Company under the applicable laws
 - The status of maintenance and implementation of internal control system of the Kirin Group companies
- The Audit & Supervisory Board Member of the Company may request the Directors of the Board, Audit & Supervisory Board Members, and employees of each Kirin Group company to report on other matters any time as necessary.
- The Directors of the Board, Audit & Supervisory Board Members, and employees of each Kirin Group company (including those who receive reports from these Directors of the Board, Audit & Supervisory Board Members and employees) may directly report matters

that they judge to be appropriate to the Audit & Supervisory Board Members of the Company in order to ensure the appropriate operation of each Kirin Group company.

Audit & Supervisory Board Members of the Company shall receive a quarterly update on the operation of the compliance hotline system. Further, when necessary, they may request the immediate report on the operation of the said system.

- (i) System to ensure that anyone who reports to the Audit & Supervisory Board Members as outlined in the preceding provision are not treated unfairly

The Directors of the Board of the Company shall prepare common regulations for the Kirin Group companies to ensure that anyone who reports to the Audit & Supervisory Board Members as outlined in the preceding provision are not treated unfairly for this reason, and shall make those regulations public throughout the Kirin Group companies and implement them appropriately.

- (j) Policy for the pre-payment or reimbursement of expenses incurred in the performance of duties of the Audit & Supervisory Board Members of the Company

After discussions with Audit & Supervisory Board Members of the Company, the Directors of the Board of the Company shall set the policy for the pre-payment or reimbursement of expenses incurred in the performance of duties of the Audit & Supervisory Board Members of the Company.

- (k) Other systems to ensure efficient audits by Audit & Supervisory Board Members of the Company

Audit & Supervisory Board Members of the Company shall hold a regular meeting with the Representative Directors and Non-executive Directors of the Company for the exchange of opinions. Further, the Directors of the Board of the Company shall establish systems to ensure effective auditing by Audit & Supervisory Board Members of the Company. This will include ensuring that Audit & Supervisory Board Members of the Company have the opportunity to attend the meetings of each Kirin Group company, at the request from the Audit & Supervisory Board Members of the Company.

(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.

3) Number of Directors of the Board

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

4) Resolution requirements for the election of Directors of the Board

The Articles of Incorporation stipulates 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.

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

The Articles of Incorporation stipulates 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.

6) Outline of Contracts for Limitation of Liability

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

7) 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.

8) Acquisition of treasury shares

The Articles of Incorporation stipulates 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.

9) Interim dividends

The Articles of Incorporation stipulates 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.

10) Special resolution requirements for the General Meeting of Shareholders

The Articles of Incorporation stipulates 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.

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

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

Thirteen (13) males (including two (2) non-Japanese) and four (4) females (female ratio of 23.5%, non-Japanese ratio of 11.8%)

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
Representative Director President & Chief Executive Officer	Yoshinori Isozaki	August 9, 1953	April 1977 March 2004 March 2007 March 2008 March 2009 March 2010 March 2012 January 2013 March 2015 September 2021	Joined the Company Director of San Miguel Corporation General Manager of Corporate Planning Dept. of the Company Executive Officer and General Manager of Corporate Planning Dept. of the Company Senior Executive Officer and General Manager of Corporate Planning Dept. of the Company Managing Director of the Company (resigned in March 2012) President & CEO of Kirin Brewery Company, Limited (resigned in January 2015) President & Chief Executive Officer of Kirin Company, Limited President & Chief Executive Officer of the Company (present position) President & CEO of Kirin Brewery Company, Limited (resigned in January 2022)	*1	84,862
Representative Director Senior Executive Vice President	Keisuke Nishimura	December 7, 1956	April 1980 March 2007 March 2009 April 2009 October 2011 March 2012 March 2014 March 2015 August 2015 April 2016 March 2017 December 2018 March 2019	Joined the Company Chairman and CEO of Kirin (China) Investment Co., Ltd Director of San Miguel Corporation Director and Executive Vice President of San Miguel Brewery Inc. Director of San Miguel Brewery Inc. (present position) Executive Officer and General Manager of Strategy Planning Dept. of the Company Director of the Board of the Company Director of China Resources Kirin Beverages (Greater China) Company, Limited (present position) Managing Director of the Company Director and Chairman of the Coca-Cola Bottling Company of Northern New England, Inc. Representative Director of the Board, Senior Executive Officer of the Company Director & Vice Chairman of Myanmar Brewery Limited Director of Myanmar Brewery Limited Representative Director, Senior Executive Vice President of the Company (present position) Senior Executive Officer of Kirin Company, Limited Director & Vice Chairman of Myanmar Brewery Limited (present position) Director of the Coca-Cola Bottling Company of Northern New England, Inc. (currently Coca-Cola Beverages Northeast, Inc.) Director of Lion Pty Ltd (present position)	*1	71,418
Director of the Board Senior Executive Officer	Toshiya Miyoshi	December 30, 1958	April 1982 March 2008 March 2010 March 2012 January 2013 March 2014 March 2015 March 2019 March 2021	Joined the Company Representative Director and President & CEO of Yokohama Akarenga Inc. General Manager of Personnel & General Affairs Dept. of the Company Executive Officer and General Manager of Personnel & General Affairs Dept. of the Company Executive Officer and Director of Group Personnel & General Affairs of the Company Executive Officer and General Manager of Personnel Dept. of Kirin Company, Limited Senior Executive Officer and Director of Group Personnel & General Affairs of the Company Senior Executive Officer and General Manager of Personnel Dept. of Kirin Company, Limited Director of the Board, Senior Executive Officer of the Company (present position) Senior Executive Officer of Kirin Company, Limited Director of San Miguel Brewery Inc. (present position) Director of Kirin Brewery Company, Limited Director of Kirin Beverage Company, Limited (present position)	*1	28,918

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
Director of the Board Senior Executive Officer	Noriya Yokota	February 3, 1961	<p>April 1984 March 2011 March 2014 April 2015 March 2017 March 2018 March 2022</p>	<p>Joined the Company General Manager of Sendai Plant of Production Div. of Kirin Brewery Company, Limited Executive Officer and General Manager of Production Dept. of Production Div. of Kirin Brewery Company, Limited Director of Group Personnel & General Affairs of the Company Executive Officer and General Manager of Personnel & General Affairs Dept. of Kirin Company, Limited Senior Executive Officer and Director of Corporate Strategy of the Company Director of the Board, Senior Executive Officer of Kirin Company, Limited Director of Kyowa Hakko Kirin Company, Limited (currently Kyowa Kirin Company, Limited) Director of the Board, Senior Executive Officer of the Company (present position) Senior Executive Officer of Kirin Company, Limited Director of Kirin Business System Company, Limited (present position) Director of Kirin Brewery Company, Limited (present position)</p>	*1	16,156
Director of the Board Senior Executive Officer	Takeshi Minakata	December 31, 1961	<p>April 1984 March 2012 January 2013 March 2015 March 2016 April 2016 March 2018 March 2020 March 2022</p>	<p>Joined the Company General Manager of Corporate Planning Dept. of Kirin Brewery Company, Limited 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 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 Senior Executive Officer of the Company (resigned in March 2018) President and CEO of Myanmar Brewery Limited Executive Director of the Board, President & Chief Executive Officer of Kyowa Hakko Bio Co., Ltd. (resigned in December 2021) 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)</p>	*1	7,135
Director of the Board	Masakatsu Mori	January 22, 1947	<p>April 1969 February 1989 December 1995 April 2003 September 2005 September 2007 October 2009 October 2012 November 2013 March 2015 April 2018 March 2019</p>	<p>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)</p>	*1	18,700
Director of the Board	Hiroyuki Yanagi	November 20, 1954	<p>April 1978 March 2007 March 2009 March 2010 January 2018 March 2019 March 2021 January 2022 March 2022</p>	<p>Joined Yamaha Motor Co., Ltd. Executive Officer of Yamaha Motor Co., Ltd. Senior Executive Officer of 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)</p>	*1	2,900

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
Director of the Board	Chieko Matsuda	November 18, 1964	<p>April 1987 October 1998 September 2001 May 2006 October 2006</p> <p>April 2011</p> <p>March 2016 March 2020</p>	<p>Joined The Long-Term Credit Bank of Japan, Limited Joined Moody's Japan K.K. Joined Corporate Directions, Inc. Representative Director of Matrix, Inc. Vice President (Partner) of Booz and Company, Inc.</p> <p>Professor of School of Business Administration, Faculty of Urban Liberal Arts (currently Faculty of Economics and Business Administration) at Tokyo Metropolitan University (present position) Professor of Department of Business Administration, Graduate School of Social Sciences (currently Graduate School of Management) at Tokyo Metropolitan University (present position) Audit & Supervisory Board Member of the Company Non-executive Director of the Company (present position)</p>	*1	1,600
Director of the Board	Noriko Shiono	October 18, 1960	<p>August 1983 March 2010 January 2014</p> <p>May 2016 October 2017 March 2018 March 2019 March 2020</p>	<p>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 (present position) Non-executive Director of Kirin Company, Limited Strategic Advisor of the Company Non-executive Director of the Company (present position)</p>	*1	6,389
Director of the Board	Rod Eddington	January 2, 1950	<p>September 1979 April 1992 April 2000 March 2011 March 2012 March 2020</p>	<p>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)</p>	*1	—
Director of the Board	George Olcott	May 7, 1955	<p>July 1986 February 1999</p> <p>June 2000</p> <p>September 2001 March 2005 March 2008 April 2014 March 2020</p>	<p>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 of Judge Business School, University of Cambridge Senior Fellow of Judge Business School, University of Cambridge Guest Professor of Faculty of Business and Commerce, Keio University Non-executive Director of the Company (present position)</p>	*1	1,400
Director of the Board	Kaoru Kato	May 20, 1951	<p>April 1977 June 2002 July 2005</p> <p>July 2007</p> <p>June 2008</p> <p>June 2012</p> <p>June 2016</p> <p>June 2018 March 2021</p>	<p>Joined Nippon Telegraph and Telephone Public Corporation Member of the Board of Directors of NTT DoCoMo Kansai, Inc. Representative Director and Senior Corporate Executive Officer of Sumitomo Mitsui Card Co., Ltd. Executive Vice President, Member of the Board of Directors of NTT DoCoMo Kansai, Inc. Executive Vice President, Member of the Board of Directors of NTT DOCOMO, Inc. Representative Director and President & CEO of NTT DOCOMO, INC. Corporate Advisor, Member of the Board of Directors of NTT DOCOMO, INC. Corporate Advisor of NTT DOCOMO, INC. (present position) Non-executive Director of the Company (present position)</p>	*1	100

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
Standing Audit & Supervisory Board Member	Keiji Kuwata	September 21, 1962	<p>April 1985 March 2009</p> <p>September 2010</p> <p>March 2013</p> <p>April 2015</p> <p>March 2016</p> <p>March 2017</p> <p>March 2018</p> <p>March 2019</p>	<p>Joined the Company</p> <p>Director of the Board, General Manager of Kanto-Region of Kirin Logistics Company, Limited (currently Kirin Group Logistics Company, Limited)</p> <p>Director of the Board, General Manager of Eastern-Japan Regional Div. of Kirin Logistics Company, Limited</p> <p>Deputy General Manager of Corporate Planning Dept. of Kirin Company, Limited</p> <p>Executive Officer and Deputy General Manager of Corporate Planning Dept. of Kirin Company, Limited</p> <p>Director of Corporate Strategy of the Company</p> <p>Executive Officer and General Manager of Corporate Planning Dept. of Kirin Company, Limited</p> <p>Senior Executive Officer and General Manager of Corporate Planning Dept. of Kirin Company, Limited</p> <p>Standing Audit & Supervisory Board Member of the Company (present position)</p> <p>Audit & Supervisory Board Member of Kyowa Hakko Kirin Co., Ltd. (currently Kyowa Kirin Co., Ltd.) (present position)</p>	*2	3,254
Standing Audit & Supervisory Board Member	Shobu Nishitani	November 29, 1963	<p>April 1987</p> <p>October 2011</p> <p>March 2014</p> <p>March 2016</p> <p>April 2016</p> <p>March 2017</p> <p>March 2019</p> <p>April 2019</p> <p>March 2022</p>	<p>Joined the Company</p> <p>Director of San Miguel Brewery Inc.</p> <p>Group Finance Director of the Company</p> <p>Director of Lion Pty Ltd</p> <p>General Manager of Accounting Dept. of Kirin Company, Limited</p> <p>Executive Officer and General Manager of Accounting Dept. of Kirin Company, Limited</p> <p>Audit & Supervisory Board Member of China Resources Kirin Beverages (Greater China) Company, Limited (present position)</p> <p>Executive Officer and General Manager of Internal Audit Dept. of the Company</p> <p>Standing Audit & Supervisory Board Member of the Company (present position)</p> <p>Audit & Supervisory Board Member of Kyowa Hakko Bio Co., Ltd. (present position)</p>	*4	5,008
Audit & Supervisory Board Member	Yoshiko Ando	March 17, 1959	<p>April 1982</p> <p>April 2003</p> <p>July 2006</p> <p>July 2011</p> <p>July 2013</p> <p>July 2014</p> <p>October 2015</p> <p>June 2016</p> <p>July 2017</p> <p>March 2019</p>	<p>Entered the Ministry of Labor</p> <p>Lieutenant Governor of Shiga Prefecture</p> <p>Director of Equal Employment Policy Division of Equal Employment, Children and Families Bureau of the Ministry of Health, Labour and Welfare (MHLW)</p> <p>Director-General of the Saitama Labor Bureau of MHLW</p> <p>Director-General of Industrial Accident Compensation Department of Labour Standards Bureau of MHLW</p> <p>Director-General of Equal Employment, Children and Families Bureau of MHLW</p> <p>Director-General for Labour Policy Planning of MHLW</p> <p>Director-General for Statistics and Information Policy of MHLW</p> <p>Director-General for Human Resources Development of MHLW</p> <p>Audit & Supervisory Board Member of the Company (present position)</p>	*2	3,600
Audit & Supervisory Board Member	Kaoru Kashima	January 20, 1958	<p>November 1981</p> <p>April 1985</p> <p>June 1996</p> <p>June 2002</p> <p>July 2006</p> <p>September 2010</p> <p>July 2012</p> <p>July 2013</p> <p>March 2020</p>	<p>Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>Registered as a certified public accountant</p> <p>Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>Senior Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>In charge of personnel of HR Development Headquarters of ShinNihon & Co.</p> <p>Managing Director of Ernst & Young ShinNihon LLC</p> <p>In charge of Corporate Culture Promotion Office, Public Relations Office</p> <p>General Manager of Knowledge Headquarters, Managing Director of Ernst & Young ShinNihon LLC</p> <p>Representative Director of Ernst & Young Institute Co., Ltd.</p> <p>Audit & Supervisory Board Member of the Company (present position)</p>	*3	—
Audit & Supervisory Board Member	Kenichi Fujinawa	February 18, 1955	<p>April 1980</p> <p>October 1988</p> <p>January 2000</p> <p>January 2004</p> <p>January 2015</p> <p>January 2020</p> <p>March 2022</p>	<p>Registered as lawyer in Japan</p> <p>Joined Nagashima & Ohno</p> <p>Partner of Nagashima & Ohno</p> <p>Partner of Nagashima Ohno & Tsunematsu</p> <p>Managing Partner of Nagashima Ohno & Tsunematsu</p> <p>Chairman of Nagashima Ohno & Tsunematsu</p> <p>Senior Counsel of Nagashima Ohno & Tsunematsu (present position)</p> <p>Audit & Supervisory Board Member of the Company (present position)</p>	*4	—

Notes:

1. Mr. Masakatsu Mori, Mr. Hiroyuki Yanagi, Ms. Chieko Matsuda, Ms. Noriko Shiono, Mr. Rod Eddington, Mr. George Olcott, and Mr. Kaoru Kato are Non-executive Directors.
2. Ms. Yoshiko Ando, Ms. Kaoru Kashima, and Mr. Kenichi Fujinawa 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 30, 2022 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2022
 - *2 From the close of the Ordinary General Meeting of Shareholders held on March 28, 2019 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2022
 - *3 From the close of the Ordinary General Meeting of Shareholders held on March 27, 2020 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2023
 - *4 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
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	CSV Strategy, North America Beer Business	Ryosuke Mizouchi
Senior Executive Officer	Personnel & General Affairs Strategy	Junko Tsuboi
Senior Executive Officer	SCM Strategy, Production Technology Strategy	Masao Maehara
Senior Executive Officer	Digital Strategy, General Manager of Corporate Strategy Dept.	Shinjiro Akieda
Senior Executive Officer	R&D Strategy, Quality Assurance	Koji Fukada
Senior Executive Officer	Brand Strategy, Marketing Strategy	Mitsuharu Yamagata
Senior Executive Officer	President & CEO of Kirin Brewery Company, Limited	Hideki Horiguchi
Senior Executive Officer	President & CEO of Kirin Beverage Company, Limited	Toru Yoshimura
Senior Executive Officer	President & CEO of Kyowa Hakko Bio Co., Ltd.	Yuki Kanzaki

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. Chieko Matsuda, Ms. Noriko Shiono, Mr. Rod Eddington, Mr. George Olcott and Mr. Kaoru Kato, and Audit & Supervisory Board Members Ms. Yoshiko Ando, Ms. Kaoru Kashima, and Mr. Kenichi Fujinawa as independent officers as required by the provisions that 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. Chieko Matsuda, Ms. Noriko Shiono, Mr. Rod Eddington, Mr. George Olcott and Mr. Kaoru Kato 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. Yoshiko Ando, Ms. Kaoru Kashima, and Mr. Kenichi Fujinawa 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) Corporate governance 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. Akihiro Ito and Ms. Kaoru Kashima to the Audit & Supervisory Board Members who have substantial knowledge of finance and accounting. Mr. Akihiro Ito has been engaged in finance and accounting in the Company and Group companies since joining the Company. He assumed the current position in 2018 after assuming the office of the Company's Director of the Board in 2014 and then taking charge of financial strategy. Ms. Kaoru Kashima has been engaged in practice as a certified public accountant for long 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 16 meetings of the Audit & Supervisory Board during this fiscal year. Attendance of each Audit & Supervisory Board Member is as follows:

Category	Name	Attendance at Audit & Supervisory Board meetings
Standing Audit & Supervisory Board Member	Akihiro Ito	15 times of 15 meetings (100%)
Standing Audit & Supervisory Board Member	Keiji Kuwata	15 times of 15 meetings (100%)
Audit & Supervisory Board Member	Nobuo Nakata	15 times of 15 meetings (100%)
Audit & Supervisory Board Member	Yoshiko Ando	15 times of 15 meetings (100%)
Audit & Supervisory Board Member	Kaoru Kashima	15 times of 15 meetings (100%)

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; maintenance and implementation of the internal control system; adequacy of methods and results of audits by the Accounting Auditor; evaluation of the Accounting Auditor; and appropriateness of audit remuneration.

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.

2) Internal audits

The Company has established the Internal Audit Department consisting of 26 members, and they are concurrently responsible for conducting internal audits at Group companies, independently from the audits of the Audit & Supervisory Board Members, with regards to the Group's significant risks and internal controls. The Internal Audit Department practically and effectively conducts auditing for the Group overall through cooperation with the internal audit departments of each key Group company, and by sharing the audit results of, and mutually supplementing the work of, the internal audit and the audit by the Audit & Supervisory Board. The Internal Audit Department members coordinate with the Company's Audit & Supervisory Board Members in setting and implementing auditing plans, coordinate with the Standing Audit & Supervisory Board Members of key Group companies, and concurrently perform the role of Part-time Audit & Supervisory Board Members in Group companies, etc.

The Internal Audit Department, the Audit & Supervisory Board Members and the Accounting Auditor also strive for mutual cooperation where they exchange information and opinions and consult each other as necessary. The Internal Audit Department and the Audit & Supervisory Board Members regularly exchange information and opinions with internal control-related departments, and the Accounting Auditor also conducts hearings with internal control departments as necessary, both thus implementing effective audits.

3) Accounting audits

(i) Name of the audit firm
KPMG AZSA LLC

(ii) Consecutive auditing period
47 years

The Company found that it was unfeasible to identify the accurate period. Thus, the period stated above is the one starting Shinwa Audit Corporation, one of the predecessors of the present Accounting Auditor, KPMG AZSA LLC, was established as an audit firm organization. The actual consecutive auditing period might be longer than the one stated above.

(iii) Certified public accountants who executed audit duties
Mr. Masakazu Hattori, Mr. Masahiro Sasaki, and Mr. Yoshihiro Fujioka

(iv) Composition of assistants who supported audit duties
Certified public accountants: 20; Others: 43

(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 for the auditing certified public accountants, etc.

Category	Fiscal year ended December 31, 2020		Fiscal year ended December 31, 2021	
	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	170	85	207	59
Consolidated subsidiaries	296	9	328	4
Total	466	94	535	62

Fiscal year ended December 31, 2020:

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, 2021:

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 for the network firms that the auditing certified public accountants belong to.

Category	Fiscal year ended December 31, 2020		Fiscal year ended December 31, 2021	
	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	27	13	23
Consolidated subsidiaries	404	57	445	53
Total	418	84	458	76

Fiscal year ended December 31, 2020:

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

Remuneration for non-audit services for the consolidated subsidiaries is mainly attributed to tax-related services.

Fiscal year ended December 31, 2021:

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 tax-related services.

(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 special nature of their duties.

(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 and reporting to the Board 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., which was determined at the Board meeting held on February 14, 2022 after the aforementioned deliberation process, is as follows.

From FY2022, the Company started to review the current officers' remuneration plan to ensure that the evaluation and remuneration plan further encourages not only the achievement of immediate targets but also the realization of medium- to long-term growth and further focuses on enhancing corporate value, with a view to further encouraging Directors of the Board to achieve financial and non-financial targets under the Medium-Term Business Plan, which will start in FY2022. Specifically, the Company decided to add business performance evaluation indicators to the evaluation indicators used to calculate bonuses for some officers (please refer to 2) (i) below for more details). The Company also decided to divide the existing stock compensation plan used until this fiscal year into the performance share unit linking to the level of achievement of performance for a single fiscal year (the "Single-Year PSU") and the restricted share unit without performance requirements (the "RSU"), and add the performance share unit linking to the level of achievement of performance under the Medium-Term Business Plan for multiple fiscal years (the "Medium-Term Plan PSU").

(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. Below is the outline of remuneration structure and recipients (including the policy for determining payment timing or conditions). 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	Persons eligible for the payment	
				Directors of the Board (excluding Non-executive Directors) and Executive Officers ^{*3}	Non-executive Directors and Audit & Supervisory Board Members
Fixed remuneration	Basic remuneration	<ul style="list-style-type: none"> 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	Bonus (short-term incentive)	<ul style="list-style-type: none"> 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. 	Evaluation indicators to promote stable profit growth and implementation of strategies for the entire Group and for core businesses are selected for each of corporate performance, business performance and individual performance. * Details for FY2022 are provided in “2) Remuneration, etc. for FY2022.”	○	—
	Trust-type stock compensation (for residents in Japan) (medium- to long-term incentive) ^{*1, 2}	<ul style="list-style-type: none"> Performance-linked remuneration for motivation to improve corporate value over the medium- to long-term The trust-type stock compensation is comprised of the RSU, which is paid in a fixed manner, the Single-Year PSU and the Medium-Term Plan PSU, the latter two being paid in conjunction with the level of achievement of performance targets, among other things, while setting as the performance evaluation period each fiscal year or the fiscal years covered by the Medium-Term Business Plan. Shares corresponding to the number of points granted are delivered (shares equivalent to 50% are realized and paid in cash) in accordance with the Company's Share Delivery Rules. 	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. * Details for FY2022 are provided in “2) Remuneration, etc. for FY2022.”	○	—

^{*1} Mitsubishi UFJ Trust and Banking Corporation's Board Incentive Plan Trust

^{*2} A performance-linked and stock-price-linked remuneration plan (the “Phantom Stock Plan”), which has an evaluation system equivalent to the trust-type stock compensation plan, applies to those who are non-residents in Japan in lieu of the trust-type stock compensation plan. At the moment, no officer is planned to be applicable to the system.

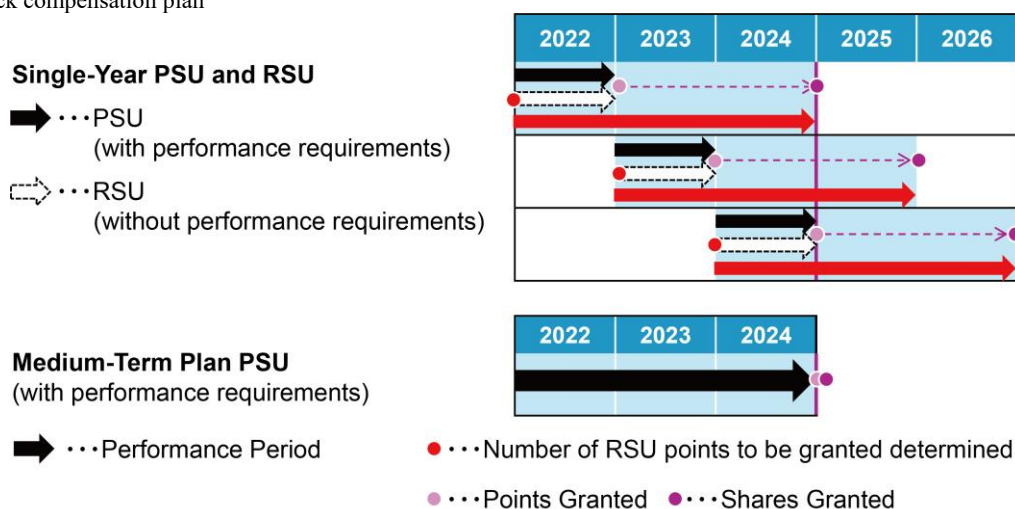
^{*3} Excluding those concurrently serving as Directors of the Board, and those in an employment relationship with the Company.

Details of the trust-type stock compensation plan

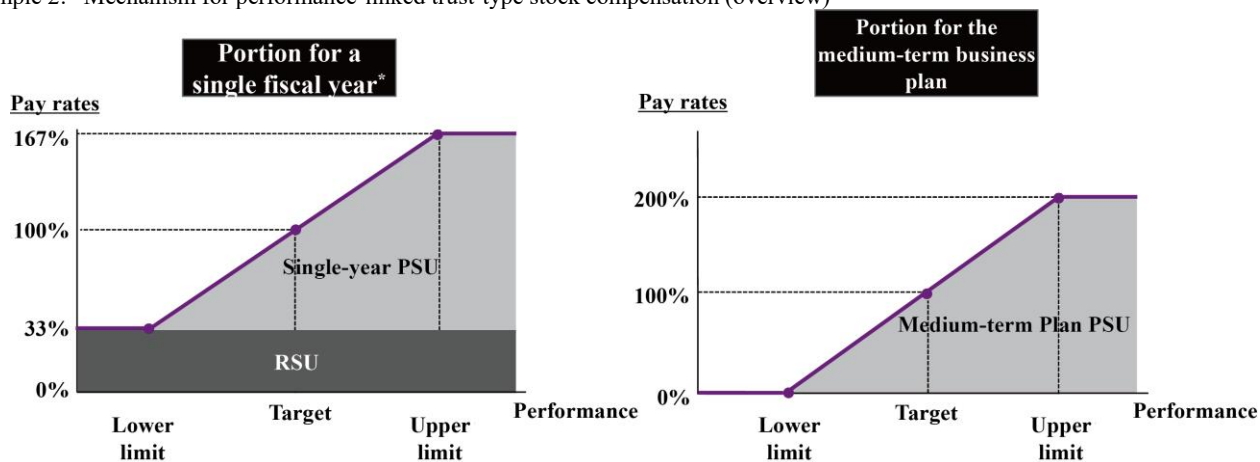
	Number of points*	Timing of granting of points	Timing of delivery of shares and cash
RSU	Fixed points	After the end of each fiscal year	At a certain point in time after the lapse of two years from the start of the fiscal year when points were granted (at a certain point in time after the lapse of three years from when the number of points was determined for the RSU)
Single-Year PSU	The number calculated by multiplying the basic points (for the Medium-Term Plan PSU, the basic points for three years) by the performance-linked factor (0% to 200%) depending on the level of achievement of performance targets and others for each performance evaluation period		
Medium-Term Plan PSU		After the end of the final fiscal year of the Medium-Term Business Plan	At a certain point in time in the fiscal year following the final fiscal year of the Medium-Term Business Plan

* Basic points (fixed points for the RSU) are calculated based on the base amount predetermined for each executive rank and responsibilities

Sample 1: Performance evaluation period, timing of granting of points, and timing of delivery of shares and cash under the trust-type stock compensation plan



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) Establishment of remuneration levels and the ratio of performance-linked remuneration

Objective verification is conducted by comparing the Company's officer remuneration levels and its 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.

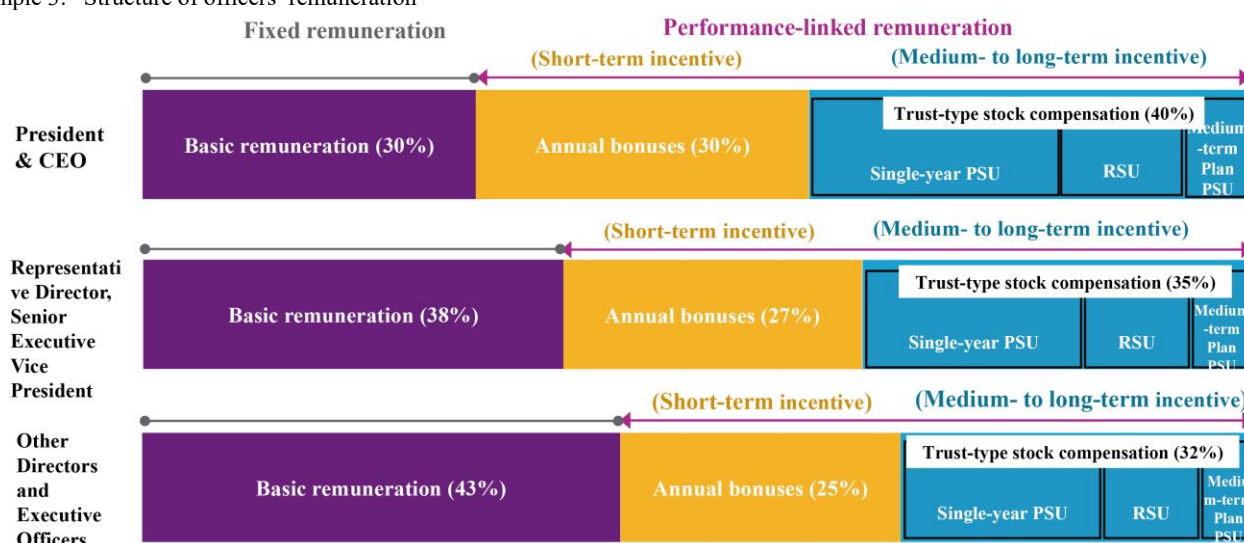
- Establishment of remuneration levels

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, the ratio of basic remuneration to the performance-linked remuneration base amount for the President & 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, 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) Determination of the 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 President & CEO, the Nomination and Remuneration Advisory Committee determines specific evaluation indicators and targets after a Non-executive Director, who is the Chairperson or member (excluding interested persons) of the Nomination and Remuneration Advisory Committee, holds an interview with the President & CEO. For other Directors of the Board (excluding Non-executive Directors) and Executive Officers, the Nomination and Remuneration Advisory Committee determines specific evaluation indicators and targets after deliberating draft proposals prepared by the President & 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.

The specific remuneration for Directors of the Board is determined by the Board, and the specific remuneration for Audit & Supervisory Board Members is determined in consultation with Audit & Supervisory Board Members based on reports submitted by the Nomination and Remuneration Advisory Committee within the remuneration limits resolved in advance at a General Meeting of Shareholders.

Provided, however, that determination of individual performance evaluations for the bonuses of each Director of the Board (excluding Non-executive Directors), including the President & CEO, and each Executive Officer (including the setting of specific evaluation indicators and targets; please refer to (iv) above), and the evaluation results depending on the degree of achievement of them and the individual pay rate regarding the individual performance evaluation, is delegated to the Nomination and Remuneration Advisory Committee. In determining the above matters, (i) for the President & CEO, the Nomination and Remuneration Advisory Committee determines the matters after a Non-executive Director, who is the Chairperson or member (excluding interested persons) of the Nomination and Remuneration Advisory Committee, holds an interview with the President & CEO in order to ensure the objectivity and transparency of evaluation; and (ii) for Directors of the Board (excluding Non-executive Directors), other than the President & CEO, and Executive Officers, the President & CEO holds an interview with each of them, evaluate individual performance, and draft the individual pay rate regarding the evaluation, and the Nomination and Remuneration Advisory Committee determines the matters after deliberating the draft proposals. The Nomination and Remuneration Advisory Committee then determines the outcomes of each individual performance evaluation and sets an appropriate individual pay rate, 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: Chieko Matsuda (Non-executive Director)
- Member: Hiroyuki Yanagi (Non-executive Director)
- Member: Noriko Shiono (Non-executive Director)
- Member: Yoshinori Isozaki (President & CEO)
- Member: Toshiya Miyoshi (Director of the Board, Senior Executive Officer)

(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 <1> to <4> 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) 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 FY2022

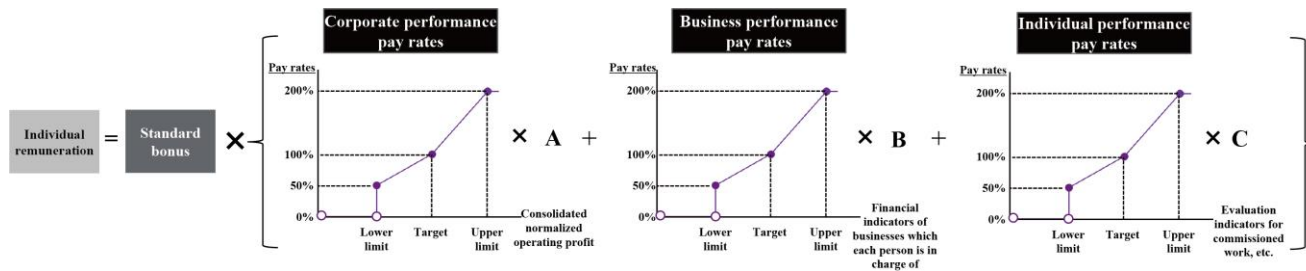
According to the policy described in 1) above, the performance evaluation indicators, calculation methods, etc. for performance-linked remuneration for FY2022 were determined as follows. When evaluating the degree of achievement of performance indicators, the impact of exchange fluctuations, etc. for 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 an Executive Officer concurrently serves as operating company president, officer in charge of Health Strategy, or President of the Health Science Business Div., 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 FY2022 are as follows:

Performance evaluation indicators	Evaluation ratio				Fluctuation range of pay rates	Performance targets	
	President & CEO	Representative Director, Senior Executive Vice President	Executive Officer concurrently serving as operating company president, etc.	Other Directors of the Board, etc.			
Corporate performance evaluation (consolidated normalized operating profit) (A)	70%	60%	20%	50%	0%–200%	Upper limit	¥199.2 billion
						Base	¥166.0 billion
						Lower limit	¥132.8 billion
Business performance evaluation (B)	—	—	40%	—	0%–200%	Performance targets are determined according to 1) (iv) above.	
Individual performance evaluation (C)	30%	40%	40%	50%	0%–200%		

Sample 4: Mechanism for linkage of bonuses to performance



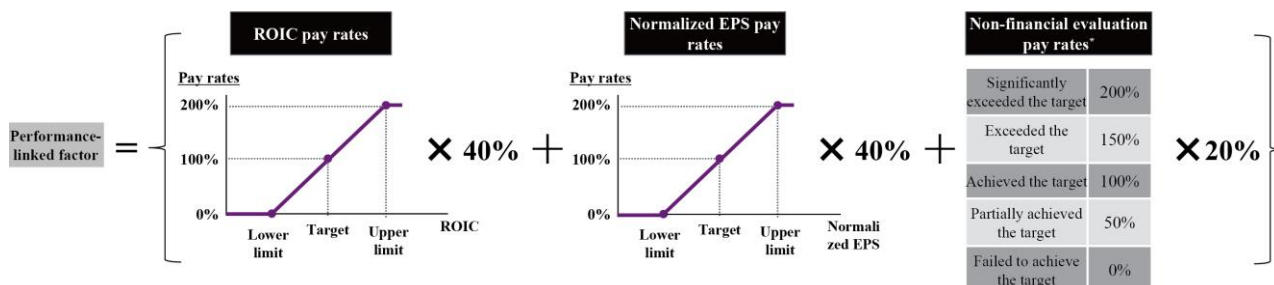
(ii) Trust-type stock compensation (Single-Year PSU and Medium-Term Plan PSU)

As described in 1) (ii) above, the following three evaluation indicators are selected from evaluation indicators in the Kirin Group's 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 by a comprehensive evaluation based on an evaluation for 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—depending on the level of achievement of specific indicators determined for each item, as well as qualitative factors. 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	12.5%
			Base	8.3%
			Lower limit	4.1%
Normalized EPS (CAGR within the period of the Medium-Term Business Plan for the Medium-Term Plan PSU)	40%	0%–200%	Upper limit	¥181
			Base	¥157
			Lower limit	¥133
Non-financial evaluation	20%	0%–200%	Performance targets are determined according to 1) (iv) above by specific indicator of three items: "the Environment," "Health and Well-being," and "Employees."	

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



* The non-financial evaluation pay rates 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.

(iii) Performance-linked and stock-price-linked remuneration (Phantom Stock Plan)

A performance-linked and stock-price-linked remuneration plan (Phantom Stock Plan) applies to officers who are non-residents in Japan. Under the plan, in accordance with the Company's Share Delivery Rules, the Company grants points calculated by the same formula as for the Trust-type stock compensation plan, and grants money in the amount equivalent to the Company's shares to be delivered under the trust-type stock compensation plan (including the Company's shares convertible into cash under the trust-type stock compensation plan).

3) Remuneration, etc. for this fiscal year (FY2021)

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

The Nomination and Remuneration Advisory Committee held a total of 16 meetings during this fiscal year. The Committee deliberated on the review to the current officers' remuneration system to align with the Medium-Term Business Plan, which will start in FY2022, (the review covered remuneration levels, the ratio of performance-linked remuneration, and the mechanism for linkage to performance including how the performance-linked remuneration should be). The Committee also deliberated on whether or not it should revise the targets and others for bonuses for this fiscal year in light of the unexpected, extraordinary event—a change in Myanmar's political situation—and on specific revisions. Remuneration consultants outside the Company attended 8 out of the 16 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 FY2020

- Decisions about the amount of bonuses paid based on the FY2020 performance and points granted for trust-type stock compensation

(b) Officers' remuneration for this fiscal year (FY2021)

- Study of the latest global and domestic environment for officers' remuneration
- Setting of the base, lower limit, and upper limit of the performance evaluation indicators of the performance-linked remuneration for this fiscal year
- Verification of remuneration levels and the ratio of performance-linked remuneration for this fiscal year (through objective survey data of officers' remuneration provided by remuneration consultants outside the Company)
- Consideration of whether or not performance targets for bonuses for this fiscal year should be revised, and specific revisions

(c) Officers' remuneration for FY2022

- Consideration of to-be remuneration levels and the to-be ratio of performance-linked remuneration toward achieving the new 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)
- Consideration of the mechanism for linkage to performance (including how the performance-linked remuneration should be and how the financial and non-financial evaluations should be for the performance-linked remuneration)

The Nomination and Remuneration Advisory Committee deliberated on those matters and reported the results to the Company's Board. The Board then concluded that individual remuneration, etc. for Directors of the Board for this fiscal year was appropriate and in line with the policy for determining remuneration, etc. 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.

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

Officer type	Total amount of remuneration, etc. (¥ millions)	Total amount (¥ millions) of remuneration by type and number of persons							
		Fixed remuneration		Performance-linked remuneration					
		Monetary remuneration						Non-monetary remuneration	
		Basic remuneration		Bonus		Performance-linked and stock-price-linked remuneration (Phantom Stock Plan)		Trust-type stock compensation	
		Total amount	Number of persons	Total amount	Number of persons	Total amount	Number of persons	Total amount	Number of persons
Directors of the Board (excluding Non-executive Directors)	480	265	5	166	5	—	—	49	5
Audit & Supervisory Board Members (excluding Non-standing Audit & Supervisory Board Members)	71	71	2	—	—	—	—	—	—
Non-executive Officers	Non-executive Directors	127	8	—	—	—	—	—	—
	Non-standing Audit & Supervisory Board Members	54	3	—	—	—	—	—	—
Total	732	518	18	166	5	—	—	49	5

Notes:

- 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 one (1) Director who retired as of March 30, 2021.
- 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.
- There were no officers to whom the above performance-linked and stock-price-linked remuneration (Phantom Stock Plan) was applicable.
- 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.

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

Name	Officer type	Total amount of remuneration, etc. (¥ millions)	Amount of remuneration by type (¥ millions)		
			Fixed remuneration	Performance-linked remuneration	
			Monetary remuneration		Non-monetary remuneration
			Basic remuneration	Bonus	Stock-based remuneration
Yoshinori Isozaki	President & CEO	190	96	73	21
Keisuke Nishimura	Representative Director, Senior Executive Vice President	108	62	35	11

Notes:

- Only those persons whose total amount of remuneration, etc. exceeds ¥100 million are disclosed.
- 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

Performance evaluation indicators are corporate performance evaluation indicators (consolidated normalized operating profit) and individual performance evaluation indicators for the purpose of focusing on profit growth of the existing businesses and future-oriented investments. The amount of bonuses paid is determined by multiplying the amount paid upon the achievement of targets (base amount) predetermined for each executive rank by a pay rate (when the pay rate upon the achievement of targets is regarded as 100%, it is variable between 0% and 200%).

In determining officers' remuneration, etc. for this fiscal year, the base value of the performance target for corporate performance (consolidated normalized operating profit) for bonuses reflects the downward revision to the consolidated performance forecast, and the upper and lower limits of performance targets were also revised. This revision was made during this fiscal year in consideration of the impact of the political upheaval in the business of Myanmar Brewery Limited. The Company determined that this political upheaval corresponds to a significant change in the business environment due to the unexpected extraordinary factors or events described in 1) (vi) above, and, based on the efforts of the Board made to minimize the decline in profit due to the above impact, made the above determination after deliberation at the Nomination and Remuneration Advisory Committee.

determination after deliberation at the Nomination and Remuneration Advisory Committee.

Performance evaluation indicators	Evaluation ratio	Fluctuation range of pay rates	Performance targets		Actual results	Actual results (pay rate for each indicator)	Final pay rate
Corporate performance evaluation (consolidated normalized operating profit)	50%–70%	0%–200%	Upper limit	¥204.0 billion	¥163.2 billion	90.0%	108%–120%
			Base	¥170.0 billion			
			Lower limit	¥136.0 billion			
Individual performance evaluation	30%–50%	0%–200%	Decided based on evaluation indicators of commissioned work, etc. for each person.			150%	

Notes:

- When evaluating the degree of achievement of corporate performance evaluation, the impact of exchange fluctuations, etc. for each fiscal year is excluded from calculating items in the financial statements of overseas subsidiaries, etc.
- The Nomination and Remuneration Advisory Committee is delegated to determine the individual performance evaluation and the individual pay rate regarding it for each Director of the Board including the President & CEO for the purpose of ensuring objectivity, transparency, and a high degree of independence in determining the individual performance evaluation. For the President & CEO, a Non-executive Director, who is the Chairperson or member of the Nomination and Remuneration Advisory Committee, holds an interview with the President & CEO. For Directors of the Board (excluding Non-executive Directors), other than the President & CEO, and Executive Officers, the President & CEO prepares a draft proposal through an interview with each of them. The Nomination and Remuneration Advisory Committee then determines specific evaluation indicators and targets as well as the evaluation results depending on the degree of achievement of such indicators and targets and the individual pay rate regarding the individual performance evaluation, and reports its decisions to the Board in a timely and appropriate manner. The Nomination and Remuneration Advisory Committee is comprised of the following five (5) persons (three (3) Non-executive Directors and two (2) Directors), Chairperson: Chieko Matsuda (Non-executive Director); members: Hiroyuki Yanagi (Non-executive Director), Noriko Shiono (Non-executive Director), Yoshinori Isozaki (President & CEO), and Toshiya Miyoshi (Director of the Board, Senior Executive Officer, responsible for Personnel & General Affairs Strategy).

(b) Trust-type stock compensation

Evaluation indicators are ROIC, Normalized EPS, and non-financial evaluation to aim for maximizing cash flows through enhancement of shareholder value and growth investment and achieving the CSV Purpose to create social value based on the Kirin Group 2019–2021 Medium-Term Business Plan. Basic points are calculated based on the base amount predetermined for each executive rank, and the number of points to be granted is determined by multiplying the basic points by the performance-linked factor (variable between 50% and 150%) depending on the degree of achievement of the performance targets for each fiscal year.

50% and 150%) depending on the degree of achievement of the performance targets for each fiscal year.						
Performance evaluation indicators	Evaluation ratio	Fluctuation range of pay rates	Performance targets		Actual results (pay rate for each indicator)	Final pay rate
ROIC	40%	50%–150%	Upper limit	11.9%	3.6% (53.4%)	90.32%
			Base	7.6%		
			Lower limit	3.3%		
Normalized EPS	40%	50%–150%	Upper limit	¥167.1	¥151 (109.9%)	
			Base	¥147		
			Lower limit	¥125		
Non-financial indicators	20%	50%–150%	The progress and achievement status of the CSV commitment and the status of employee engagement etc. are comprehensively evaluated.		S (125%)	

Notes:

- 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.
- With respect to non-financial indicators, the Board evaluated that results of performance exceeded the target as a comprehensive evaluation and decided to rate “S” (pay rate: 125%) based on the following results and other factors after deliberation by the Nomination and Remuneration Advisory Committee.
 - CSV commitment: While some performance indicators failed to achieve their targets due to the impact of COVID-19, “Environment” was almost achieved through activities of reduction of GHG emissions and others.
 - Employee engagement: Achieved the target score for FY2021 by maintaining favorable levels at domestic operating companies and controlling the decrease in scores at overseas operating companies, which are in a difficult business environment.
 - Others: Improvement of external evaluation related to ESG/SDGs (acquisition of “AA rating” by MSCI ESG rating, among others).

4) Provisions resolved by 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 General Meeting of Shareholders	Number of persons on the date of resolution
Director of the Board	Basic remuneration and bonus	1,520* ¹ (including 210 for Non-executive Directors)	March 30, 2022	12 Directors of the Board (including 7 Non-executive Directors)
Directors of the Board (excluding Non-executive Directors) and Executive Officers	Stock-based remuneration	1,450/1,000,000 shares* ²		5 Directors of the Board 9 Executive Officers
Audit & Supervisory Board Member	Basic remuneration	200		5 (including 3 Audit & Supervisory Board Members)

*1 The remuneration limit includes the amount recorded as expenses for the payment of performance-linked and stock-price-linked remuneration to Directors of the Board (excluding Non-executive Directors) and Executive Officers who are non-residents in Japan.

*2 The upper limit of cash contributed by the Company and the maximum number of the Company’s shares delivered each fiscal year under the trust-type stock compensation plan for Directors of the Board (excluding Non-executive Directors) and Executive Officers who are residents in Japan.

(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	25	4,237
Shares other than unlisted shares	2	2,992

Issues whose number of shares increased during the fiscal year ended December 31, 2021

	Number of issues	Total acquisition cost for increased shares (¥ millions)	Reason for increase in number of shares
Unlisted shares	1	33	To promote collaboration in the Health Science business
Shares other than unlisted shares	1	900	Reclassification as a result of IPO

Issues whose number of shares decreased during the fiscal year ended December 31, 2021

	Number of issues	Total sale amount for decreased shares (¥ millions)
Unlisted shares	—	—
Shares other than unlisted shares	5	9,951

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	84	4,033
Shares other than unlisted shares	62	29,889

Issues whose number of shares increased during the fiscal year ended December 31, 2021

	Number of issues	Total acquisition cost for increased shares (¥ millions)	Reason for increase in number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	5	156	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, 2021

	Number of issues	Total sale amount for decreased shares (¥ millions)
Unlisted shares	2	25
Shares other than unlisted shares	8	9,395

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	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020	Purpose of shareholding, 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)		
Mitsubishi Estate Co., Ltd.	1,063,548	2,127,048	Shares are held to maintain and strengthen marketing policy and other business relationships.	Yes
	1,696	3,525		
Nightingale Health Oyj	2,702,077	—	The entity provides pioneering blood-testing services. The Company took a stake in the entity for the purpose of exploring seeds for the Health Science business of the Group and developing it in Japan. As the entity went IPO in March 2021 and is listed on Nasdaq First North Growth Market, the number of their shares held by the Company increased.	No
	1,296	—		
Mitsubishi Logistics Corporation	—	1,482,946	Shares were held to maintain and strengthen marketing policy and other business relationships, but sold during this fiscal year.	Yes
	—	4,582		
Mitsubishi Research Institute, Inc.	—	398,500	Shares were held to maintain and strengthen marketing policy and other business relationships, but sold during this fiscal year.	No
	—	1,704		
MITSUBISHI GAS CHEMICAL COMPANY, INC.	—	326,068	Shares were held to maintain and strengthen marketing policy and other business relationships, but sold during this fiscal year.	No
	—	772		
Mitsubishi Materials Corporation	—	291,606	Shares were held to maintain and strengthen stable materials procurement, marketing policy and other business relationships, but sold during this fiscal year.	No
	—	633		

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 24, 2022 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	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020	Purpose of shareholding, 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)		
Oriental Land Co., Ltd.	280,000	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.	No
	5,431	4,771		
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.	No
	5,037	5,323		
Central Japan Railway Company	253,700	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.	No
	3,893	3,701		
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.	No
	1,913	1,915		
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.	No
	1,176	1,160		
Imperial Hotel, 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.	Yes
	1,115	1,184		
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.	No
	982	983		
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.	No
	972	942		
Inageya Co., Ltd.	606,000	606,000	Shares are held to obtain information on consumer needs and industry trends to help develop our brand.	Yes
	840	1,104		
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.	No
	773	845		

Issues	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020	Purpose of shareholding, 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)		
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.	No
	740	749		
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.	No
	566	551		
Japan Airport Terminal Co., Ltd.	101,210	101,210	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.	No
	486	633		
West Japan Railway Company	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.	No
	481	540		
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.	Yes
	470	485		
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.	No
	432	411		
DAIICHIKOSHO CO., LTD.	100,000	400,000	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.	Yes
	348	1,426		
H2O RETAILING CORPORATION	428,664	428,664	Shares are held to obtain information on consumer needs and industry trends to help develop our brand.	No
	347	299		
Kakuyasu Co., Ltd.	216,000	126,000	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. We acquired shares in the entity for the purpose of deepening the relationship with them to boost our brand development.	No
	315	203		
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.	No
	297	267		

Issues	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020	Purpose of shareholding, 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)		
Kintetsu Group Holdings Co., Ltd.	82,569	82,569	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.	No
	265	373		
Rock Field Co., Ltd.	145,200	145,200	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.	No
	219	228		
TORIKIZOKU Co., Ltd.	120,000	120,000	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.	No
	214	174		
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.	No
	208	211		
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.	No
	203	170		
EAT&HOLDING S 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.	No
	201	162		
YOSHINOYA HOLDINGS CO., LTD.	72,000	72,000	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.	No
	167	137		
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.	No
	167	174		
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.	No
	164	159		
YAOKO CO., LTD.	20,000	20,000	Shares are held to obtain information on consumer needs and industry trends to help develop our brand.	No
	140	144		

Issues	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020	Purpose of shareholding, 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)		
AEON Co., Ltd.	50,553	49,227	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. We constantly acquire shares in the entity through their share ownership association for the purpose of deepening the relationship with them to boost our brand development.	No
	137	167		
KAMEI CORPORATION	128,100	128,100	Shares are held to obtain information on the distribution industry, etc.	Yes
	134	147		
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.	No
	130	109		
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.	No
	104	98		
ARCS COMPANY, LIMITED	45,738	45,738	Shares are held to obtain information on consumer needs and industry trends to help develop our brand.	No
	98	106		
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.	No
	72	58		
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.	No
	68	63		
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.	No
	65	63		
NAKAMURAYA CO., LTD.	16,500	16,500	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.	Yes
	60	66		
DOUTOR•NICHIRE 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.	No
	54	50		
ITOCHU-SHOKUHIN Co., Ltd.	10,000	10,000	Shares are held to obtain information on the distribution industry, etc.	Yes
	50	55		

Issues	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020	Purpose of shareholding, 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)		
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.	No
	50	50		
FUJITA KANKO INC.	17,436	17,436	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.	No
	43	25		
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.	No
	40	39		
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.	No
	36	20		
YAMAE GROUP HOLDINGS CO., LTD.	33,199	31,506	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. We constantly acquire shares in the entity through their share ownership association for the purpose of deepening the relationship with them to boost our brand development.	Yes
	35	36		
Joyfull Co., Ltd.	31,460	31,460	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.	No
	25	21		
SLD Entertainment, Inc.	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.	No
	23	22		
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.	No
	14	15		
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.	No
	14	17		
OKUWA Co., Ltd.	12,695	12,456	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. We constantly acquire shares in the entity through their share ownership association for the purpose of deepening the relationship with them to boost our brand development.	No
	12	16		
Kabuki-za Co., Ltd.	2,499	2,499	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.	No
	12	12		

Issues	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020	Purpose of shareholding, 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)		
LIFE CORPORATION	2,898	2,898	Shares are held to obtain information on consumer needs and industry trends to help develop our brand.	No
	10	10		
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.	No
	8	7		
THE ROYAL HOTEL, LIMITED	6,400	6,400	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.	No
	7	8		
YAMANAKA CO., LTD.	10,000	10,000	Shares are held to obtain information on consumer needs and industry trends to help develop our brand.	No
	7	7		
Kansai Super Market Ltd.	6,600	6,600	Shares are held to obtain information on consumer needs and industry trends to help develop our brand.	No
	7	8		
JALUX Inc.	2,000	2,000	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.	No
	5	3		
COSMOS Pharmaceutical Corporation	200	200	Shares are held to obtain information on consumer needs and industry trends to help develop our brand.	No
	3	3		
Welcia Holdings Co., Ltd.	504	346	Shares are held to obtain information on consumer needs and industry trends to help develop our brand. We constantly acquire shares in the entity through their share ownership association for the purpose of deepening the relationship with them to boost our brand development.	No
	2	1		
Seven & i Holdings Co., Ltd.	—	1,000,000	Shares were held to maintain and strengthen marketing policy and other business relationships, but sold during this fiscal year.	No
	—	3,659		
Mitsubishi Shokuhin Co., Ltd.	—	680,000	Shares were held to maintain and strengthen marketing policy and other business relationships, but sold during this fiscal year.	No
	—	1,946		
TOKYO DOME CORPORATION	—	539,255	Shares were held to maintain and strengthen marketing policy and other business relationships, but sold during this fiscal year.	Yes
	—	700		
ANA HOLDINGS INC.	—	204,309	Shares were held to maintain and strengthen marketing policy and other business relationships, but sold during this fiscal year.	Yes
	—	465		
MARCHE CORPORATION	—	270,000	Shares were held to maintain and strengthen marketing policy and other business relationships, but sold during this fiscal year.	No
	—	130		
United Super Markets Holdings Inc.	—	55,000	Shares were held to maintain and strengthen marketing policy and other business relationships, but sold during this fiscal year.	No
	—	62		

Notes:

1. “—” indicates that Kirin Brewery 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 24, 2022 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 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, 2021 (from January 1, 2021 to December 31, 2021) 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 a specialized magazine 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 Statement of Financial Position

Kirin Holdings Company, Limited and Consolidated Subsidiaries

At December 31, 2021 and 2020

(¥ millions)

	At December 31, 2020	At December 31, 2021
ASSETS		
Non-current assets		
Property, plant and equipment (Notes 6, 9 and 18)	¥ 521,919	¥ 533,859
Goodwill (Notes 7 and 9)	245,709	264,225
Intangible assets (Notes 8, 9 and 18)	209,291	196,341
Equity-accounted investees (Notes 5 and 36)	387,467	399,367
Other financial assets (Note 10)	105,740	117,431
Other non-current assets (Note 19)	21,162	24,736
Deferred tax assets (Note 11)	101,533	109,354
Total non-current assets	1,592,821	1,645,313
Current assets		
Inventories (Note 12)	217,176	247,229
Trade and other receivables (Note 13)	372,146	387,921
Other financial assets (Note 10)	7,948	7,910
Other current assets	33,941	34,071
Cash and cash equivalents (Note 14)	161,667	149,488
(Sub-total)	792,878	826,620
Assets held for sale (Note 15)	73,664	-
Total current assets	866,542	826,620
Total assets	¥2,459,363	¥2,471,933

(¥ millions)

	At December 31, 2020	At December 31, 2021
Equity		
Share capital (Note 16)	¥ 102,046	¥ 102,046
Share premium (Note 16)	24,940	25,104
Retained earnings (Note 16)	980,903	998,177
Treasury shares (Note 16)	(201,783)	(201,801)
Reserves (Note 16)	(67,522)	(29,347)
Equity attributable to owners of the Company	838,584	894,179
Non-controlling interests (Note 35)	257,355	253,811
Total equity	1,095,939	1,147,990
Liabilities		
Non-current liabilities		
Bonds and borrowings (Notes 17 and 28)	393,610	449,970
Other financial liabilities (Notes 17, 18 and 28)	140,343	145,453
Defined benefit liability (Note 19)	66,890	61,954
Provisions (Note 20)	4,456	4,707
Liabilities from application of equity method (Note 36)	-	19,426
Other non-current liabilities (Note 22)	3,408	32,875
Deferred tax liabilities (Note 11)	17,243	10,606
Total non-current liabilities	625,950	724,990
Current liabilities		
Bonds and borrowings (Notes 17 and 28)	249,033	101,502
Trade and other payables (Note 21)	220,277	229,552
Other financial liabilities (Notes 17, 18 and 28)	63,781	65,907
Current tax liabilities	8,707	22,162
Provisions (Note 20)	3,961	1,901
Other current liabilities (Note 22)	164,692	177,929
(Sub-total)	710,451	598,953
Liabilities directly associated with assets held for sale (Note 15)	27,024	-
Total current liabilities	737,475	598,953
Total liabilities	1,363,424	1,323,943

Consolidated Statement of Profit or Loss

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2021 and 2020

(¥ millions)

	Year ended December 31, 2020	Year ended December 31, 2021
Revenue (Notes 5 and 23)	¥1,849,545	¥1,821,570
Cost of sales	1,045,662	998,728
Gross profit	803,883	822,842
Selling, general and administrative expenses (Note 24)	641,768	657,412
Other operating income (Note 25)	6,376	8,239
Other operating expenses (Notes 9 and 26)	65,572	105,585
Operating profit	102,919	68,084
Finance income (Note 27)	5,400	4,087
Finance costs (Note 27)	8,521	7,044
Share of profit of equity-accounted investees (Note 36)	24,752	34,490
Profit before tax	124,550	99,617
Income tax expense (Note 11)	24,709	31,193
Profit	99,842	68,424
Profit attributable to:		
Owners of the Company	71,935	59,790
Non-controlling interests (Note 35)	27,907	8,634
Profit	¥ 99,842	¥ 68,424
Earnings per share (Yen) (Note 30)		
Basic earnings per share	¥ 85.57	¥ 71.73
Diluted earnings per share	85.54	71.70

Consolidated Statement of Comprehensive Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2021 and 2020

(¥ millions)

	Year ended December 31, 2020	Year ended December 31, 2021
Profit	¥99,842	¥ 68,424
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)	(10,513)	(1,824)
Remeasurements of defined benefit plans (Note 29)	512	6,592
Share of other comprehensive income of equity-accounted investees (Note 29)	(139)	203
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations (Note 29)	(1,028)	31,843
Cash flow hedges (Note 29)	407	1,185
Share of other comprehensive income of equity-accounted investees (Note 29)	2,754	10,892
Total other comprehensive income	(8,008)	48,891
Comprehensive income	¥91,834	¥117,316
Comprehensive income attributable to:		
Owners of the Company	¥64,028	¥109,631
Non-controlling interests (Note 35)	27,806	7,685
Comprehensive income	¥91,834	¥117,316

Consolidated Statement of Changes in Equity

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the year ended December 31, 2020

	(¥ millions)			
	Equity attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Treasury shares
Balance at January 1, 2020	¥102,046	¥24,853	¥958,292	¥(124,999)
Profit	-	-	71,935	-
Other comprehensive income	-	-	-	-
Comprehensive income	-	-	71,935	-
Dividends from surplus (Note 16)	-	-	(55,326)	-
Acquisition of treasury shares (Note 16)	-	-	-	(76,796)
Disposal of treasury shares (Note 16)	-	(1)	-	3
Share-based payments (Note 31)	-	28	-	9
Changes in the ownership interest in a subsidiary without a loss of control	-	60	-	-
Transfer from reserves to retained earnings	-	-	6,003	-
Other	-	1	-	-
Total transactions with owners of the Company	-	87	(49,323)	(76,784)
Balance at December 31, 2020	¥102,046	¥24,940	¥980,903	¥(201,783)

	Equity attributable to owners of the Company						Non-controlling interests	Total equity
	Reserves					Total		
	Net change in equity instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Foreign currency translation differences on foreign operations	Cash flow hedges	Total	Total		
Balance at January 1, 2020	¥41,410	¥ -	¥(94,043)	¥(983)	¥(53,615)	¥906,576	¥240,249	¥1,146,825
Profit	-	-	-	-	-	71,935	27,907	99,842
Other comprehensive income	(10,095)	(554)	2,337	406	(7,907)	(7,907)	(101)	(8,008)
Comprehensive income	(10,095)	(554)	2,337	406	(7,907)	64,028	27,806	91,834
Dividends from surplus (Note 16)	-	-	-	-	-	(55,326)	(10,946)	(66,273)
Acquisition of treasury shares (Note 16)	-	-	-	-	-	(76,796)	-	(76,796)
Disposal of treasury shares (Note 16)	-	-	-	-	-	2	-	2
Share-based payments (Note 31)	-	-	-	-	-	38	(155)	(118)
Changes in the ownership interest in a subsidiary without a loss of control	(0)	-	4	-	3	63	371	434
Transfer from reserves to retained earnings	(6,557)	554	-	-	(6,003)	-	-	-
Other	-	-	0	-	0	1	31	32
Total transactions with owners of the Company	(6,558)	554	4	-	(6,000)	(132,020)	(10,700)	(142,720)
Balance at December 31, 2020	¥24,757	¥ -	¥(91,702)	¥(577)	¥(67,522)	¥838,584	¥257,355	¥1,095,939

For the year ended December 31, 2021

	(¥ millions)			
	Equity attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Treasury shares
Balance at January 1, 2021	¥102,046	¥24,940	¥980,903	¥(201,783)
Profit	-	-	59,790	-
Other comprehensive income	-	-	-	-
Comprehensive income	-	-	59,790	-
Dividends from surplus (Note 16)	-	-	(54,184)	-
Acquisition of treasury shares (Note 16)	-	-	-	(27)
Disposal of treasury shares (Note 16)	-	(0)	-	1
Share-based payments (Note 31)	-	83	2	7
Changes in the ownership interest in a subsidiary without a loss of control	-	81	-	-
Transfer from reserves to retained earnings	-	-	11,666	-
Other	-	-	-	-
Total transactions with owners of the Company	-	164	(42,516)	(18)
Balance at December 31, 2021	¥102,046	¥25,104	¥998,177	¥(201,801)

	Equity attributable to owners of the Company								
	Reserves								
	Net change in equity instruments measured at fair value through other comprehensive income	Remeasurements 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, 2021	¥24,757	¥ -	¥(91,702)	¥ (577)	¥(67,522)	¥838,584	¥257,355	¥1,095,939	
Profit	-	-	-	-	-	59,790	8,634	68,424	
Other comprehensive income	(1,251)	6,137	43,767	1,187	49,841	49,841	(950)	48,891	
Comprehensive income	(1,251)	6,137	43,767	1,187	49,841	109,631	7,685	117,316	
Dividends from surplus (Note 16)	-	-	-	-	-	(54,184)	(11,182)	(65,366)	
Acquisition of treasury shares (Note 16)	-	-	-	-	-	(27)	-	(27)	
Disposal of treasury shares (Note 16)	-	-	-	-	-	1	-	1	
Share-based payments (Note 31)	-	-	-	-	-	92	(181)	(89)	
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	81	104	185	
Transfer from reserves to retained earnings	(5,529)	(6,137)	-	-	(11,666)	-	-	-	
Other	-	-	-	-	-	-	31	31	
Total transactions with owners of the Company	(5,529)	(6,137)	-	-	(11,666)	(54,036)	(11,228)	(65,265)	
Balance at December 31, 2021	¥17,978	¥ -	¥(47,935)	¥ 610	¥(29,347)	¥894,179	¥253,811	¥1,147,990	

Consolidated Statement of Cash Flows

Kirin Holdings Company, Limited and Consolidated Subsidiaries
For the years ended December 31, 2021 and 2020

(¥ millions)

	Year ended December 31, 2020	Year ended December 31, 2021
Cash flows from operating activities		
Profit before tax	¥124,550	¥ 99,617
Depreciation and amortization	82,109	81,130
Impairment losses	29,619	77,390
Interest and dividends received	(2,752)	(2,718)
Share of profit of equity-accounted investees	(24,752)	(34,490)
Interest paid	4,890	4,448
Gain on sale of property, plant and equipment and intangible assets	(1,629)	(3,061)
Loss on disposal and sale of property, plant and equipment and intangible assets	1,704	1,782
Gain on sale of shares of subsidiaries	(42)	(23)
(Increase) decrease in trade receivables	3,781	(9,106)
(Increase) decrease in inventories	(6,081)	(20,353)
Increase (decrease) in trade payables	(1,106)	3,514
Increase (decrease) in liquor taxes payable	(392)	1,586
Other (Note 28)	(7,100)	32,289
Sub-total	202,800	232,004
Interest and dividends received	21,470	21,036
Interest paid	(4,791)	(4,145)
Income taxes paid	(54,641)	(29,592)
Cash flows from operating activities	164,839	219,303
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(93,026)	(86,335)
Proceeds from sale of property, plant and equipment and intangible assets	2,083	6,977
Acquisition of investments	(606)	(2,907)
Proceeds from sale of investments	19,401	22,122
Acquisition of shares of subsidiaries, net of cash acquired (Note 38)	(39,628)	(45,455)
Proceeds from sale of shares of subsidiaries, net of cash disposed of (Note 28)	18	42,886
Acquisition of equity-accounted investees	(1,885)	(162)
Proceeds from sale of equity-accounted investees	-	5,101
Other	(2,339)	1,365
Cash flows from (used in) investing activities	(115,981)	(56,408)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	356	4,641
Increase (decrease) in commercial paper	28,003	(81,994)
Proceeds from long-term borrowings	135,000	1,000
Repayment of long-term borrowings	(86,570)	(50,000)
Proceeds from issuance of bonds	60,000	70,000
Payment for redemption of bonds	(20,000)	(40,000)
Repayment of lease liabilities	(16,554)	(18,420)
Payment for acquisition of treasury shares	(76,811)	(34)
Payment for acquisition of treasury shares by a consolidated subsidiary	(14)	(23)
Payment for settlement of derivatives	(5,091)	-
Dividends paid (Note 16)	(55,326)	(54,184)
Dividends paid to non-controlling interests	(14,815)	(11,182)
Other	(652)	(266)
Cash flows used in financing activities (Note 28)	(52,474)	(180,463)
Effect of exchange rate changes on cash and cash equivalents	(388)	5,388
Net increase (decrease) in cash and cash equivalents	(4,004)	(12,180)
Cash and cash equivalents at beginning of year	165,671	161,667
Cash and cash equivalents at end of year (Note 14)	¥161,667	¥149,488

Notes to Consolidated Financial Statements

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2021 and 2020

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 Yoshinori Isozaki, President & CEO of the Company, and Noriya Yokota, Director of the Board, Senior Executive Officer of the Company, on March 30, 2022.

(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. Significant 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)

Taking account of the impacts of a decline in sales due to the suspension of operations at restaurants and other outlets, and restrictions on the activities of each business amid the spread of COVID-19 and other factors, the Company has reviewed its accounting estimates and assumptions. Although there will be differences among the businesses and operating areas of the Group, the Company assumes that the spread of COVID-19 will be confined by the end of the year ending December 31, 2023 and that the declined demand will recover in the next few years. These assumptions have been reflected in the accounting estimates. However, the actual time of recovery is uncertain and future development may have an impact on the accounting estimates.

3. SIGNIFICANT 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. A business combination involving entities or businesses under common control, in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory, is accounted for

based on the carrying amounts of the assets and liabilities.

(2) FOREIGN CURRENCY TRANSLATION

1) Foreign currency transactions

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

Monetary items denominated in foreign currencies are retranslated into the functional currency at the exchange rate at the reporting date, and non-monetary items denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate when the fair value was determined.

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 the 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, except for cases of significant exchange rate movements.

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 reclassified 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.

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

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, at the reporting date, expected credit losses are measured based on the following classification into three stages of financial assets:

	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, 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 when the contract is entered into, 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

Items of property, plant, and equipment are measured using the cost model after initial recognition and are 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 least 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)

Research and development expenses generated in the Group 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 are 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 least 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 in a line item in the consolidated statement of financial position corresponding to when the underlying assets are owned by the Company.

After initial recognition, the right-of-use assets are depreciated using the straight-line method over the estimated useful lives of the underlying assets when ownership of the underlying assets is transferred by the end of the lease term or when the cost of the right-of-use assets reflect that a purchase option is reasonably certain to be exercised; the right-of-use assets are otherwise 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 which is calculated by discounting such present value 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 and leases for low value items, the Group records lease payments as expenses using the straight-line method over the lease terms unless another systematic method is more representative of the pattern of the 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.

The Group recognizes an asset or liability for the effect of uncertainty in income taxes which is measured at the amount of the reasonable estimate for uncertain tax positions when it is probable, based on the Group's interpretation of tax laws, that the tax positions will be sustained.

(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.

Only if the recoverable amount of an asset or cash-generating unit falls below its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

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 have occurred.

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

In connection with plants reorganization aimed at the efficiency of manufacturing sites in Japan and overseas, as plans including the removal of property, plant and equipment at some of the sites are determined and announced, a reasonably estimated amount of the removal costs is recorded as a provision.

The timing of the payment is subject to circumstances such as future business plans.

- Asset retirement obligations

For property, plant and equipment held by the Company, 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 corresponding to the period up to the occurrence of the future 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 phantom stock plan, and a performance-linked share-based remuneration plan (so-called "Performance Share Unit") 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 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.

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.

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 medicine 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, taking into account the probability of a significant subsequent 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 of 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 based on the agreed contractual payment schedule, such as when achieving milestones, and includes no 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 NOT YET ADOPTED

None of the new accounting standards and guidelines that have been issued or amended by the date of approval of the consolidated financial statements have a material impact on the consolidated financial statements of the Group.

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) EXPLANATION REGARDING RENAMING OF REPORTABLE SEGMENT

The Group identified the reportable segments, namely, "Japan Beer and Spirits Businesses," "Japan Non-alcoholic Beverages Business," "Oceania Integrated Beverages Business" and "Pharmaceuticals Business" until the year ended December 31, 2020. Since the transfer of the Oceania Non-alcoholic Beverages Business was completed on January 25, 2021, "Oceania Integrated Beverages" segment was renamed "Oceania Adult Beverages" segment from the year ended December 31, 2021.

This renaming of the reportable segment has no impact on the presented financial information. The reportable segment for the year ended December 31, 2020 is also presented using the new segment name.

(3) INFORMATION ON REPORTABLE SEGMENTS

Information related to each reportable segment is set out below.

(¥ millions)

At and for the year ended December 31, 2020							
	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	¥651,424	¥252,173	¥292,120	¥317,797	¥336,030	¥ -	¥1,849,545
Inter-segment revenue	2,022	2,046	46	554	72,519	(77,187)	-
Total revenue	653,446	254,219	292,167	318,352	408,550	(77,187)	1,849,545
Segment income (Note 3)	75,491	21,758	22,130	59,015	29,291	(45,569)	162,115
					Other operating income		6,376
					Other operating expenses		65,572
					Finance income		5,400
					Finance costs		8,521
					Share of profit of equity-accounted investees		24,752
					Profit before tax		124,550

(¥ 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	¥424,416	¥149,864	¥471,312	¥741,697	¥871,649	¥(199,574)	¥2,459,363
Other items							
Depreciation and amortization	14,187	7,170	14,021	19,112	20,462	7,156	82,109
Impairment losses (excluding financial assets)	-	1,277	20,258	2,857	5,228	-	29,619
Equity-accounted investees	12,342	-	8,632	9,463	357,030	-	387,467
Capital expenditures	12,701	8,207	14,475	35,888	28,440	19,124	118,835

Notes:

1. "Others" includes the Wine business in Japan, the Alcoholic Beverages business in Myanmar, the Non-alcoholic Beverages business in North America, and the Bio-chemicals business, etc.
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, 2021

	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	¥661,326	¥244,386	¥216,258	¥351,696	¥347,902	¥ -	¥1,821,570
Inter-segment revenue	1,784	2,208	55	550	70,293	(74,890)	-
Total revenue	663,111	246,594	216,314	352,246	418,196	(74,890)	1,821,570
Segment income (Note 3)	70,541	21,099	26,562	61,197	31,334	(45,303)	165,430
					Other operating income		8,239
					Other operating expenses		105,585
					Finance income		4,087
					Finance costs		7,044
					Share of profit of equity-accounted investees		34,490
					Profit before tax		99,617

(¥ 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	¥432,806	¥139,176	¥475,861	¥862,091	¥859,811	¥(297,812)	¥2,471,933
Other items							
Depreciation and amortization	15,053	7,100	13,337	19,341	20,021	6,279	81,130
Impairment losses (excluding financial assets)	-	70	624	5,286	69,679	1,730	77,390
Equity-accounted investees	13,343	-	8,837	-	377,188	-	399,367
Capital expenditures	24,739	7,212	13,298	29,258	25,959	18,522	118,987

Notes:

1. "Others" includes the Wine business in Japan, the Alcoholic Beverages business in Myanmar, the Non-alcoholic Beverages business in North America, and the Bio-chemicals business, etc.
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.

(4) GEOGRAPHIC INFORMATION

1) Revenue

(¥ millions)

	Year ended December 31, 2020	Year ended December 31, 2021
Japan	¥1,180,205	¥1,167,445
Oceania	257,469	175,048
America	249,313	318,221
Others	162,560	160,856
Total	1,849,545	1,821,570

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

2) Non-current assets

(¥ millions)

	At December 31, 2020	At December 31, 2021
Japan	¥489,489	¥510,385
Oceania	219,214	277,730
America	107,271	119,266
Others	162,625	90,626
Total	978,599	998,008

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

(5) 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, 2020	Year ended December 31, 2021
Mitsubishi Shokuhin Co., Ltd.	Japan Beer and Spirits, Japan Non-alcoholic Beverages, and other	¥223,675	¥225,518

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, 2020	¥200,541	¥182,689	¥49,240	¥86,441	¥42,342	¥561,253
Acquisitions	19,546	13,278	6,504	114	31,854	71,295
Acquisitions through business combinations	8,570	6,108	-	1,714	351	16,743
Transfer from construction in progress	9,267	25,172	6,557	172	(41,169)	-
Depreciation	(22,847)	(29,781)	(14,631)	(259)	-	(67,518)
Impairment losses	(7,229)	(12,703)	(606)	(416)	(1,259)	(22,213)
Disposals	(932)	(1,049)	(557)	(251)	(0)	(2,790)
Transfer to assets held for sale	(11,298)	(17,154)	-	(7,635)	(1,525)	(37,611)
Foreign currency translation differences	(544)	1,327	(275)	(379)	(166)	(37)
Other	688	862	1,294	(64)	17	2,797
Balance at December 31, 2020	195,763	168,749	47,526	79,437	30,445	521,919
Acquisitions	21,017	5,178	10,933	2,119	49,076	88,323
Acquisitions through business combinations	600	2,809	-	260	-	3,669
Transfer from construction in progress	8,756	25,658	5,946	15	(40,375)	-
Depreciation	(22,310)	(28,181)	(14,681)	(315)	-	(65,488)
Impairment losses	(4,206)	(12,422)	(162)	(711)	(1,566)	(19,068)
Disposals	(2,416)	(1,087)	(541)	(2,623)	-	(6,668)
Foreign currency translation differences	5,365	4,183	490	2,338	599	12,975
Other	132	(1,093)	(59)	8	(791)	(1,803)
Balance at December 31, 2021	202,700	163,794	49,451	80,527	37,387	533,859

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 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, 2020	¥540,670	¥922,112	¥176,895	¥87,838	¥43,068	¥1,770,583
Balance at December 31, 2020	543,492	894,743	179,473	81,606	31,502	1,730,815
Balance at December 31, 2021	571,659	927,641	183,749	83,764	39,863	1,806,676

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, 2020	¥340,129	¥739,423	¥127,655	¥1,397	¥726	¥1,209,330
Balance at December 31, 2020	347,729	725,994	131,947	2,168	1,057	1,208,895
Balance at December 31, 2021	368,959	763,847	134,298	3,237	2,476	1,272,817

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, 2020	Year ended December 31, 2021
Balance at January 1	¥ 233,899	¥ 245,709
Acquisitions through business combinations	8,014	32,416
Impairment losses	-	(22,243)
Foreign currency translation differences	3,796	8,343
Balance at December 31	245,709	264,225

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

2) Cost and accumulated impairment losses

	(¥ millions)	
	At December 31, 2020	At December 31, 2021
Cost	¥ 245,709	¥ 285,276
Accumulated impairment losses	-	21,051

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, 2020	¥37,208	¥42,394	¥14,413	¥33,216	¥41,674	¥168,905
Acquisitions	17	8,586	1,203	22,978	14,755	47,539
Acquisitions through business combinations	12,138	-	41	-	2,090	14,269
Amortization	(20)	(6,412)	(5,967)	-	(2,192)	(14,591)
Impairment losses	(2,207)	(54)	(1,066)	-	(4,080)	(7,407)
Disposals	-	-	(341)	(13)	(11)	(365)
Transfer to assets held for sale	-	-	(679)	-	-	(679)
Transfer to other account	-	1,587	14,343	(14,343)	(1,587)	-
Foreign currency translation differences	1,211	(645)	392	(46)	814	1,726
Other	672	(478)	(298)	(4)	1	(106)
Balance at December 31, 2020	49,020	44,977	22,042	41,788	51,465	209,291
Acquisitions	2	509	2,077	17,576	10,501	30,665
Acquisitions through business combinations	13,285	-	25	-	-	13,310
Amortization	(18)	(7,905)	(5,826)	-	(1,893)	(15,642)
Impairment losses	(20,392)	(4,207)	(18)	-	(11,342)	(35,959)
Disposals	(14)	-	(45)	(18)	(573)	(650)
Transfer to other account	-	82	6,842	(6,842)	(82)	-
Foreign currency translation differences	(1,694)	1,692	804	44	(2,050)	(1,204)
Other	(2)	(138)	(2,269)	(1,065)	4	(3,471)
Balance at December 31, 2021	40,187	35,009	23,633	51,482	46,030	196,341

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 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, 2020	¥105,394	¥119,222	¥76,402	¥33,216	¥71,564	¥405,797
Balance at December 31, 2020	120,640	120,971	82,127	41,788	79,500	445,025
Balance at December 31, 2021	69,251	120,644	87,288	51,482	86,197	414,863

3) Accumulated amortization and accumulated impairment losses

(¥ millions)

	Brands	Marketing rights	Software	Software in progress	Other	Total
Balance at January 1, 2020	¥68,185	¥76,828	¥61,989	¥-	¥29,890	¥236,892
Balance at December 31, 2020	71,620	75,994	60,086	-	28,034	235,734
Balance at December 31, 2021	29,065	85,635	63,655	-	40,167	218,522

(2) RESEARCH AND DEVELOPMENT EXPENSES AND SOFTWARE DEVELOPMENT EXPENSES

Research and development expenses of ¥64,517 million for the year ended December 31, 2020 and ¥69,622 million for the year ended December 31, 2021 were recorded in selling, general and administrative expenses in the consolidated statement of profit or loss. Software development expenses of ¥14,424 million for the year ended December 31, 2020 and ¥14,793 million for the year ended December 31, 2021 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, 2020

Impairment losses by segment consisted of the following:

(¥ millions)

Segments	Impairment losses	Types of major assets
Japan Beer and Spirits	¥ -	
Japan Non-alcoholic Beverages	1,277	Leasehold interests in land
Oceania Integrated Beverages	20,258	Buildings and structures, Machinery, equipment and vehicles, Brands
Pharmaceuticals	2,857	Marketing rights, Development expenses
Other	5,228	Buildings and structures, Machinery, equipment and vehicles
Total	29,619	

For certain assets used for business related to the Oceania Non-alcoholic Beverages Business in the Oceania Integrated Beverages Business, an impairment test was performed, because a situation suggesting that the recoverable amounts of ¥41,544 million fell below their carrying amounts was confirmed in the process of selling the Oceania Non-alcoholic Beverages Business, and the carrying amounts were reduced to their recoverable amounts. The decreases of ¥6,039 million primarily consisted of ¥2,875 million in buildings and structures and ¥1,755 million in machinery, equipment and vehicles.

The recoverable amounts, which were measured at fair value less costs of disposal and calculated based on the values provided in the selling process (the market approach), are determined to be reasonable because they are approximately equal to the amounts calculated based on the market values related to businesses of peer companies. The fair value measurement is categorized as Level 3 in the fair value hierarchy considering the significant inputs in the valuation techniques used.

In addition, the Oceania Adult Beverages Business recorded impairment losses of ¥8,636 million as a result of a decision to close the West End Brewery, as well as impairment losses of ¥5,019 million due to a decline in profitability in the areas where the business operates.

For the Pharmaceuticals Business, the carrying amounts of assets were reduced by ¥2,857 million as a result of a review of the recoverable amounts mainly due to changes in the status of research and development in progress. The recoverable amounts are based on value in use, and the value is zero.

For certain assets used for business related to the Other Businesses, the carrying amounts were reduced by ¥4,117 million due to a decision to suspend operations of amino acid manufacturing facilities of the Yamaguchi Production Center (Hofu Plant) as part of the business restructuring of Kyowa Hakko Bio Co., Ltd. The recoverable amounts are based on value in use, and the value is zero.

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, 2021

Impairment losses by segment consisted of the following:

(¥ millions)

Segments	Impairment losses	Types of major assets
Japan Beer and Spirits	¥ -	
Japan Non-alcoholic Beverages	70	Land
Oceania Adult Beverages	624	Buildings and structures, Machinery, equipment and vehicles
Pharmaceuticals	5,286	Buildings and structures, Marketing rights
Other	71,409	Buildings and structures, Machinery, equipment and vehicles, Land, Construction in progress, Goodwill, Brands, Other intangible assets
Total	77,390	

Among assets used for business in the Pharmaceuticals Business, the carrying amounts of marketing rights were reduced to their recoverable amounts mainly due to a decline in the profitability of certain products. The recoverable amounts were measured at value in use.

Other Businesses include the Alcoholic Beverages business in Myanmar. The business has been facing a continuing high level of uncertainty for the operating environment due to the circumstances in Myanmar caused by the coup d'état in February 2021. For this and other reasons, an impairment test was performed for non-current assets related to the Alcoholic Beverages business in Myanmar based on the latest available information and considering possible risks. As a result, the recoverable amount was measured at zero, so impairment losses of ¥68,049 million were recognized for the year ended December 31, 2021. The impairment losses of ¥68,049 million primarily consisted of ¥22,243 million in goodwill, ¥20,392 million in brands, ¥11,342 million in other intangible assets and ¥11,009 million in machinery, equipment and vehicles.

The recoverable amount was measured at value in use. Value in use was calculated reflecting past experience and external information, and determined based on cash flows that are estimated based on the business plan approved by management. The Company estimated cash flows based on the premise that the Company will withdraw from the business in Myanmar, considering the significant uncertainty about the possibility of negotiations with Myanma Economic Holdings Public Company Limited (MEHPCL) toward the termination of the joint venture at the end of the period, and the situation of the petition for liquidation of Myanmar Brewery Limited by MEHPCL at the end of the period.

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) 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, 2020		At December 31, 2021	
	Goodwill	Brands	Goodwill	Brands
Oceania Adult Beverages Business	¥113,760	¥19,233	¥153,862	¥34,405
Alcoholic Beverages business in Myanmar	25,341	24,546	-	-
Pharmaceuticals Business	90,092	-	93,748	-
Bio-chemicals Business	13,935	-	12,874	-

The Group records as assets the brands that are 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.

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 is calculated reflecting past experience and external information, and three-year cash flows that are estimated based on the business plan approved by management are discounted to present value. Pre-tax discount rate is determined at 8.8% 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.

3) Bio-chemicals Business

The recoverable amount is measured at value in use.

Value in use is calculated reflecting past experience and external information, and five-year cash flows that are estimated based on the business plan approved by management are discounted to present value. The business plan mainly assumes a market size expansion and market share acquisition for main products and new products. Continuous growth rate is determined at 0.5% and pre-tax discount rate is determined at 5.4% based on weighted-average capital cost of cash-generating units.

The recoverable amount exceeded the carrying amount of cash-generating units by ¥44,722 million at December 31, 2021, but if the discount rate increases by 1.6%, the recoverable amount will be equal to the carrying amount.

10. OTHER FINANCIAL ASSETS

(1) OTHER FINANCIAL ASSETS CONSISTED OF THE FOLLOWING:

	(¥ millions)	
	At December 31, 2020	At December 31, 2021
Shares	¥ 81,682	¥ 60,650
Derivative assets	863	1,427
Bonds	-	32,509
Other	33,079	32,809
Allowance for doubtful accounts	(1,937)	(2,054)
Total	113,688	125,341
Non-current assets	105,740	117,431
Current assets	7,948	7,910

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, 2020	At December 31, 2021
Marketable	¥ 58,475	¥ 37,999
Non-marketable	23,207	22,651
Total	81,682	60,650

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

	(¥ millions)	
	At December 31, 2020	At December 31, 2021
Oriental Land Co., Ltd.	¥ 4,771	¥ 5,431
SKYLARK HOLDINGS CO., LTD.	5,323	5,037
Central Japan Railway Company	3,993	4,200
HIDAY HIDAKA Corp.	1,915	1,913
Mitsubishi Estate Co., Ltd.	3,525	1,696
SUZUKEN CO., LTD.	2,455	1,529
MEDIPAL HOLDINGS CORPORATION	1,169	1,299
Nightingale Health Oyj	-	1,296
Imperial Hotel, Ltd.	1,328	1,251
Chimney Co., Ltd.	1,170	1,188

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, 2020 and 2021 was ¥22,124 million and ¥19,826 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, 2020		Year ended December 31, 2021	
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)
¥18,847	¥7,044	¥22,590	¥7,401

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

Some of the equity instruments measured at fair value through other comprehensive income were pledged as collateral, and the balance of pledged assets was as follows:

(¥ millions)

	At December 31, 2020	At December 31, 2021
Shares (Note)	¥ 644	¥ 573
Total	644	573

Note: Shares 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, 2020	At December 31, 2021
Deferred tax assets	¥101,533	¥109,354
Deferred tax liabilities	17,243	10,606
Net	84,290	98,748

(2) CHANGES IN THE BALANCE OF DEFERRED TAX

Changes in the balance of deferred tax were as follows:

Year ended December 31, 2020

(¥ millions)

	Balance at January 1 (net)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other (Note)	Balance at December 31 (net)
Defined benefit asset or liability	¥22,179	¥(623)	¥(769)	¥(121)	¥20,666
Accrued expenses	13,481	(793)	-	89	12,778
Inventories	10,390	11,942	-	(166)	22,166
Unused tax losses	23,460	(2,757)	-	(26)	20,676
Property, plant and equipment and intangible assets	(12,701)	1,333	-	(591)	(11,960)
Fair value reserve on equity instruments measured at fair value through other comprehensive income	(18,372)	-	4,765	2,489	(11,117)
Other	35,433	(3,478)	(171)	(704)	31,081
Total	73,870	5,623	3,826	971	84,290

Note: "Other" includes foreign currency translation differences on foreign operations.

Year ended December 31, 2021

(¥ 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	¥20,666	¥522	¥(3,075)	¥211	¥18,324
Accrued expenses	12,778	601	-	311	13,690
Inventories	22,166	1,282	-	934	24,383
Unused tax losses	20,676	(7,855)	-	(4)	12,818
Property, plant and equipment and intangible assets	(11,960)	8,589	-	(5,806)	(9,177)
Fair value reserve on equity instruments measured at fair value through other comprehensive income	(11,117)	-	762	3,401	(6,954)
Other (Note2)	31,081	10,991	(209)	3,802	45,665
Total	84,290	14,131	(2,522)	2,850	98,748

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

Note 2: "Other" of "Amount recognized in profit or loss" includes deferred tax for the contract liabilities of Kyowa Kirin Co., Ltd.

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 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. As provided in Note 2. Basis of preparation, future taxable profits have been estimated based on the impact of the spread of COVID-19. Although management determines that these assumptions and estimates are appropriate, they may be affected by future changes in uncertain economic conditions, amendments to tax laws or other factors. If the results of future taxable profits are different from the estimates, the assessment of the recoverability of deferred tax assets may be different.

(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, 2020 and 2021 was ¥349,715 million and ¥425,941 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, 2020	At December 31, 2021
Deductible temporary differences	¥161,376	¥148,523
Unused tax losses	23,712	21,573

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

(¥ millions)

	At December 31, 2020	At December 31, 2021
1st year	¥ 210	¥ 106
2nd year	251	28
3rd year	52	53
4th year	133	15
5th year onwards	17,853	15,755
With no expiration	5,213	5,617
Total	23,712	21,573

(5) INCOME TAX EXPENSE

Income tax expense was as follows:

(¥ millions)

	Year ended December 31, 2020	Year ended December 31, 2021
Current tax expense	¥ 30,332	¥ 45,324
Deferred tax expense	(5,623)	(14,131)
Income tax expense	24,709	31,193

(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, 2020 and 2021. 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, 2020	Year ended December 31, 2021
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Tax effect of income and expenses not taxable and deductible for tax purposes	0.4	0.5
Equity in earnings of associates	(6.1)	(10.6)
Changes in unrecognized deferred tax assets	3.0	(0.9)
Difference in applicable tax rates between the Company and its subsidiaries	(6.1)	1.4
Tax credits	(5.1)	(7.7)
Retained earnings of subsidiaries and affiliates for which tax effect was recognized	1.7	9.0
Adjustment related to uncertainty over income tax treatments	-	2.6
Impairment of goodwill	-	4.9
Other	1.4	1.3
Average effective tax rate	19.8	31.3

(7) UNCERTAINTY OVER INCOME TAX TREATMENTS

Lion Pty Limited received from the Australian Taxation Office a written opinion different from that of Lion Pty Limited as well as an amendment notice about tax treatments concerning two transactions for prior years.

For the two transactions, the Group reached settlements with the Australian Taxation Office in April and July 2021. As a result, the Group recognized income tax expense of 31,500 thousand Australian dollars (¥2,626 million) and other operating expenses of 4,700 thousand Australian dollars (¥392 million) as interest for the year ended December 31, 2021.

12. INVENTORIES

Inventories consisted of the following:

	(¥ millions)	
	At December 31, 2020	At December 31, 2021
Merchandise and finished goods	¥ 148,067	¥ 165,905
Work in process	24,320	27,860
Raw materials and supplies	44,788	53,464
Total	217,176	247,229
Of which, inventories held for sale over 12 months	23,900	29,534

Loss on devaluation of inventories which was recognized as an expense was ¥7,114 million for the year ended December 31, 2020 and ¥7,979 million for the year ended December 31, 2021.

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, 2020	At December 31, 2021
Notes and accounts receivable, trade (trade receivables)	¥ 358,868	¥ 373,994
Accrued accounts receivable	14,812	15,444
Allowance for doubtful accounts	(1,534)	(1,517)
Total	372,146	387,921

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, 2020 and 2021 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.

Myanmar Brewery Limited, the Company's subsidiary in Myanmar, 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, 2021 include ¥25,198 million of cash and cash equivalents held by Myanmar Brewery Limited which are subject to certain restrictions on their use.

15. ASSETS HELD FOR SALE AND THEIR DIRECTLY ASSOCIATED LIABILITIES

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

	(¥ millions)	
	At December 31, 2020	At December 31, 2021
Assets held for sale		
Property, plant and equipment	¥ 37,611	¥ -
Intangible assets	679	-
Equity-accounted investees	8,416	-
Inventories	7,022	-
Trade and other receivables	19,731	-
Other	205	-
Total	73,664	-
Liabilities directly associated with assets held for sale		
Other financial liabilities (non-current)	5,246	-
Other non-current liabilities	602	-
Trade and other payables	11,152	-
Other financial liabilities (current)	3,502	-
Other current liabilities	5,856	-
Other	666	-
Total	27,024	-

Assets held for sale and liabilities directly associated with assets held for sale at December 31, 2020 consisted of the assets and liabilities of the Oceania Non-alcoholic Beverages Business of Lion Pty Limited, the Company's Australian subsidiary, and the equity-accounted investees (shares of associates) of Kyowa Kirin Co., Ltd., a subsidiary of the Company.

The transfer procedures for the Oceania Non-alcoholic Beverages Business and the equity-accounted investees (shares of associates) were completed in the year ended December 31, 2021.

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, 2020	Year ended December 31, 2021
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, 2020	Year ended December 31, 2021
Treasury shares at January 1	45,271	80,385
Changes	35,114	29
Treasury shares at December 31	80,385	80,414

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, 2020 consisted of the following:

- Acquisition of treasury shares: 35,105 thousand shares
- Acquisition of less-than-one unit shares: 10 thousand shares
- Sale of less-than-one unit shares: (1) thousand shares

Treasury shares at December 31, 2020 include 388 thousand shares held in the Board Incentive Plan Trust.

Changes in treasury shares for the year ended December 31, 2021 consisted of the following:

- Acquisition of less-than-one unit shares: 32 thousand shares
- Sale of less-than-one unit shares: (1) thousand shares
- Disposal of shares held in the Board Incentive Plan Trust: (3) thousand shares

Treasury shares at December 31, 2021 include 385 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)	Dividend per share (Yen)	Record date	Effective date
March 27, 2020 Ordinary General Meeting of Shareholders	Ordinary shares	¥28,234	¥32.50	December 31, 2019	March 30, 2020
August 7, 2020 Board of Directors' Meeting (Note)	Ordinary shares	27,105	32.50	June 30, 2020	September 4, 2020
March 30, 2021 Ordinary General Meeting of Shareholders (Note)	Ordinary shares	27,105	32.50	December 31, 2020	March 31, 2021
August 10, 2021 Board of Directors' Meeting (Note)	Ordinary shares	27,104	32.50	June 30, 2021	September 3, 2021

Note: The total amount of dividend includes dividends of ¥13 million on shares held in the Board Incentive Plan Trust, respectively.

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)	Dividend per share (Yen)	Record date	Effective date
March 30, 2022 Ordinary General Meeting of Shareholders (Note)	Ordinary shares	¥27,104	¥32.50	December 31, 2021	March 31, 2022

Note: The total amount of dividend includes dividends of ¥13 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, 2020 (¥ millions)	At December 31, 2021 (¥ millions)	Average interest rate (%) (Note 3)	Maturity
Bonds (maturities of over one year) (Note 4)	¥ 169,376	¥ 239,274	0.25%	June 2, 2023 to September 5, 2039
Bonds (maturities of one year or less) (Note 4)	39,986	-	-	-
Long-term borrowings (maturities of over one year)	224,234	210,696	0.15	March 31, 2023 to September 22, 2031
Long-term borrowings (maturities of one year or less)	49,775	19,441	0.84	March 18, 2022
Short-term borrowings	4,270	9,052	0.42	-
Commercial paper	155,003	73,009	(0.02)	June 28, 2022
Deposits received (Note 2)	50,983	51,171	1.00	-
Accrued expenses	36,574	35,727	-	-
Derivative liabilities (Note 1)	10,106	4,127	-	-
Lease liabilities	78,135	90,158	-	-
Other	28,324	30,177	-	-
Total	846,767	762,832	-	-
Non-current liabilities	533,953	595,423	-	-
Current liabilities	312,814	167,409	-	-

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, 2020 (¥ millions)	At December 31, 2021 (¥ millions)	Interest rate (%)	Maturity
The Company	The Company 9th series of unsecured bonds	September 26, 2011	¥ 39,986	¥ -	-%	September 24, 2021
The Company	The Company 10th series of unsecured bonds	March 2, 2015	14,965	14,974	0.603	February 28, 2025
The Company	The Company 11th series of unsecured bonds	December 6, 2018	24,932	24,955	0.120	December 6, 2023
The Company	The Company 12th series of unsecured bonds	September 5, 2019	29,904	29,929	0.080	September 5, 2024
The Company	The Company 13th series of unsecured bonds	September 5, 2019	29,875	29,889	0.230	September 5, 2029
The Company	The Company 14th series of unsecured bonds	September 5, 2019	9,936	9,939	0.510	September 5, 2039
The Company	The Company 15th series of unsecured bonds	June 4, 2020	29,910	29,947	0.020	June 2, 2023
The Company	The Company 16th series of unsecured bonds	June 4, 2020	9,958	9,967	0.180	June 4, 2025
The Company	The Company 17th series of unsecured bonds	June 4, 2020	9,949	9,954	0.370	June 4, 2030
The Company	The Company 18th series of unsecured bonds	November 27, 2020	9,948	9,959	0.110	November 27, 2025
The Company	The Company 19th series of unsecured bonds	June 3, 2021	-	39,867	0.090	June 3, 2026
The Company	The Company 20th series of unsecured bonds	June 3, 2021	-	29,893	0.180	June 2, 2028
Total			209,362	239,274	-	-

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		Total
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Software	
Balance at January 1, 2020	¥51,384	¥5,959	¥3,283	¥5,671	¥3,971	¥70,268
Acquisitions	17,484	6,811	1,821	98	299	26,512
Depreciation and amortization	(13,079)	(2,080)	(1,067)	(259)	(1,195)	(17,680)
Impairment losses	(233)	(236)	-	-	-	(469)
Transfer to assets held for sale	(4,032)	(1,083)	-	-	-	(5,115)
Other	288	203	(39)	(115)	(2)	335
Balance at December 31, 2020	51,811	9,574	3,998	5,395	3,074	73,851
Acquisitions	19,976	1,045	7,134	2,119	56	30,329
Depreciation and amortization	(12,845)	(2,122)	(2,385)	(315)	(1,032)	(18,699)
Impairment losses	(441)	-	-	(133)	-	(575)
Other	(456)	690	(81)	279	13	445
Balance at December 31, 2021	58,045	9,187	8,665	7,344	2,111	85,353

(3) LEASE LIABILITIES

Lease liabilities by maturity were as follows:

At December 31, 2020

	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	¥78,135	¥87,156	¥17,989	¥15,114	¥11,483	¥9,208	¥7,433	¥25,930

At December 31, 2021

	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	¥90,158	¥101,898	¥19,531	¥16,197	¥13,195	¥10,584	¥7,018	¥35,374

(4) AMOUNTS RECORDED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

			(¥ millions)
	Year ended December 31, 2020	Year ended December 31, 2021	
Interest paid for leases	¥1,462	¥1,512	
Variable leases	855	495	
Short-term leases	2,267	2,177	
Leases for low value items	1,360	1,396	

(5) AMOUNT RECORDED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

			(¥ millions)
	Year ended December 31, 2020	Year ended December 31, 2021	
Total cash outflow for leases	¥22,497	¥24,001	

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, 2020	Year ended December 31, 2021
Balance at January 1	¥ 301,143	¥ 295,551
Current service cost	10,817	10,939
Interest cost	1,542	1,883
Remeasurement loss (gain)		
Changes in demographic assumptions	7,676	(2,335)
Changes in financial assumptions	(1,151)	402
Changes in experience adjustment	2,466	270
Past service cost	31	72
Foreign currency translation differences	(979)	2,018
Payments from plans	(22,676)	(16,444)
Plan transfer (Note)	(3,228)	(0)
Other changes	(89)	(754)
Balance at December 31	295,551	291,603

Note: The decrease in "Plan transfer" is mainly attributable to transfers from defined benefit plans to defined contribution plans caused by transfers of employees from Kirin Brewery Company, Limited, Kirin Beverage Company, Limited and Mercian Co., Ltd. to the Company.

Weighted-average duration of defined benefit obligations was 10.1 years at December 31, 2020 and 11.3 years at December 31, 2021.

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, 2020	Year ended December 31, 2021
Balance at January 1	¥ 251,331	¥ 248,145
Interest income	1,279	1,666
Remeasurement loss (gain)		
Gain on plan assets (excluding interest income)	10,272	8,021
Foreign currency translation differences	(754)	1,527
Contributions paid by the employer	4,622	4,933
Payments from plans	(15,569)	(12,924)
Plan transfer (Note)	(2,928)	-
Other changes	(109)	(568)
Balance at December 31	248,145	250,801

Note: The decrease in “Plan transfer” is mainly attributable to transfers from defined benefit plans to defined contribution plans caused by transfers of employees from Kirin Brewery Company, Limited, Kirin Beverage Company, Limited and Mercian Co., Ltd. to the Company.

The Group plans to contribute ¥5,003 million to the defined benefit plans for the year ending December 31, 2022.

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, 2020	At December 31, 2021
Present value of defined benefit obligations	¥ 295,551	¥ 291,603
Fair value of plan assets	(248,145)	(250,801)
Total	47,406	40,802
Defined benefit liability	66,890	61,954
Defined benefit asset	(19,484)	(21,152)

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, 2020		At December 31, 2021	
	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	¥ 57,692	¥ -	¥ 54,939	¥ -
Debt instruments	99,675	-	100,143	-
General accounts	-	70,145	-	67,765
Other	-	20,633	-	27,954
Total	157,367	90,778	155,082	95,719

5) Actuarial assumptions

Major actuarial assumptions were as follows:

	At December 31, 2020	At December 31, 2021
Discount rate (weighted-average)	0.6%	0.7%

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, 2020	At December 31, 2021
Discount rate	Increase by 0.5%	¥ (14,202)	¥ (13,702)
	Decrease by 0.5%	15,871	15,182

(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 ¥14,738 million for the year ended December 31, 2020 and ¥15,561 million for the year ended December 31, 2021.

(3) EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses included in the consolidated statement of profit or loss were ¥275,958 million for the year ended December 31, 2020 and ¥261,011 million for the year ended December 31, 2021. 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, 2021

	(¥ millions)			
	Allowance for loss on plants reorganization	Asset retirement obligations	Other	Total
Balance at January 1, 2021	¥ 1,976	¥ 4,478	¥ 1,963	¥ 8,417
Increase	467	578	1,848	2,894
Decrease resulting from settlement	(1,525)	(109)	(2,543)	(4,178)
Decrease due to reversal	(148)	(290)	(323)	(761)
Foreign currency translation differences	116	35	86	236
Balance at December 31, 2021	886	4,692	1,030	6,608
Non-current liabilities	-	4,643	64	4,707
Current liabilities	886	49	967	1,901

Note: Explanations of provisions are provided in Note 3. Significant accounting policies.

21. TRADE AND OTHER PAYABLES

Trade and other payables consisted of the following:

	(¥ millions)	
	At December 31, 2020	At December 31, 2021
Notes and accounts payable, trade	¥ 96,122	¥ 98,540
Accounts payable	63,049	69,205
Refund liabilities	61,106	61,807
Total	220,277	229,552

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:

	At December 31, 2020		At December 31, 2021	
Liquor taxes payable	¥	74,619	¥	76,399
Contract liabilities (Note)		2,048		43,098
Other		91,433		91,306
Total		168,100		210,804
Non-current liabilities		3,408		32,875
Current liabilities		164,692		177,929

(¥ millions)

Note: The beginning balance of contract liabilities recognized as revenue was ¥2,095 million and ¥1,107 million for the years ended December 31, 2020 and 2021, respectively. Revenue recognized from the performance obligations satisfied in prior years was ¥17,184 million and ¥20,286 million for the years ended December 31, 2020 and 2021, respectively. These amounts mainly consist of milestone revenue and running royalty revenue. Due to changes in periods to satisfy performance obligations, such as for development cooperation, and change in estimates of transaction prices, cumulative catch-up adjustments to revenue were made. As a result, the balance of contract liabilities increased by ¥422 million at December 31, 2020.

23. REVENUE

(1) ANALYSIS OF REVENUE AND RECONCILIATION TO REVENUE FROM UNAFFILIATED CUSTOMERS BY SEGMENT

	Year ended December 31, 2020		Year ended December 31, 2021	
Japan Beer and Spirits	¥	651,424	¥	661,326
Japan Non-alcoholic Beverages		252,173		244,386
Oceania Adult Beverages		292,120		216,258
Pharmaceuticals		317,797		351,696
Others				
Wine in Japan		58,130		53,587
Alcoholic beverages in Myanmar		31,959		19,400
Non-alcoholic beverages in North America		129,399		154,872
Bio-chemicals		49,990		49,166
Other		66,552		70,877
Total		336,030		347,902
Consolidated		1,849,545		1,821,570

(¥ millions)

(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.

	At December 31, 2020		At December 31, 2021	
Due within one year	¥	1,202	¥	12,280
Between one and two years		189		9,895
Between two and three years		166		9,891
More than three years		491		11,033
Total		2,048		43,098

(¥ millions)

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses consisted of the following:

	(¥ millions)	
	Year ended December 31, 2020	Year ended December 31, 2021
Sales promotion and advertising	¥ 150,287	¥ 163,074
Employee benefit expenses	181,312	189,538
Freight	73,938	59,360
Research and development	64,500	69,612
Depreciation and amortization	38,453	38,194
Other	133,278	137,635
Total	641,768	657,412

25. OTHER OPERATING INCOME

Other operating income consisted of the following:

	(¥ millions)	
	Year ended December 31, 2020	Year ended December 31, 2021
Gain on sale of property, plant and equipment and intangible assets	¥ 1,629	¥ 3,061
Gain on sale of shares of subsidiaries	42	23
Other	4,706	5,154
Total	6,376	8,239

26. OTHER OPERATING EXPENSES

Other operating expenses consisted of the following:

	(¥ millions)	
	Year ended December 31, 2020	Year ended December 31, 2021
Impairment losses	¥ 29,619	¥ 77,390
Business restructuring expenses	7,091	2,026
Software development expenses	14,424	14,793
Loss on disposal and sale of property, plant and equipment and intangible assets	1,942	2,041
Other	12,496	9,336
Total	65,572	105,585

Note: Business restructuring expenses for the year ended December 31, 2020 include additional employees' retirement benefits of ¥3,769 million and expense for plants reorganization of ¥668 million at consolidated subsidiaries. Business restructuring expenses for the year ended December 31, 2021 include additional employees' retirement benefits of ¥604 million and expense for plants reorganization of ¥658 million at consolidated subsidiaries.

27. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs consisted of the following:

	(¥ millions)	
	Year ended December 31, 2020	Year ended December 31, 2021
Interest income (Note 1)	¥ 1,623	¥ 2,038
Dividend income (Note 2)	1,129	680
Foreign exchange gains (net)	-	876
Other	2,648	493
Total finance income	5,400	4,087
Interest paid (Note 1)	4,890	4,448
Foreign exchange losses (net)	1,199	-
Change in fair value of contingent consideration	-	1,286
Other	2,431	1,309
Total finance costs	8,521	7,044

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, 2020

			(¥ millions)				
	Balance at January 1, 2020	Total changes arising from cash flows from financing activities	Non-cash transactions and other changes				Balance at December 31, 2020
			Acquisitions	Foreign currency translation differences	Changes in fair value	Other (Note 2)	
Short-term borrowings	¥ 3,860	¥ 356	¥ -	¥ 54	¥ -	¥ -	¥ 4,270
Commercial paper	127,000	28,003	-	-	-	-	155,003
Long-term borrowings (Note 1)	230,496	48,185	-	(4,773)	-	101	274,009
Bonds (Note 1)	169,495	39,732	-	7	-	127	209,362
Lease liabilities (Notes 1 and 2)	76,442	(16,554)	25,446	(410)	-	(6,789)	78,135
Derivatives used for hedging - liabilities	8,563	(5,091)	-	-	4,735	-	8,208

Notes:

1. The balance with maturities of one year or less is included.

2. Lease liabilities of ¥6,306 million are classified as liabilities directly associated with assets held for sale.

Year ended December 31, 2021

			(¥ millions)				
	Balance at January 1, 2021	Total changes arising from cash flows from financing activities	Non-cash transactions and other changes				Balance at December 31, 2021
			Acquisitions	Foreign currency translation differences	Changes in fair value	Other	
Short-term borrowings	¥ 4,270	¥ 4,641	¥ -	¥ 142	¥ -	¥ -	¥ 9,052
Commercial paper	155,003	(81,994)	-	-	-	-	73,009
Long-term borrowings (Note)	274,009	(49,000)	-	5,029	-	98	230,137
Bonds (Note)	209,362	29,733	-	-	-	179	239,274
Lease liabilities (Note)	78,135	(18,420)	28,966	2,682	-	(1,206)	90,158
Derivatives used for hedging - liabilities	8,208	-	-	-	(5,414)	-	2,793

Note: The balance with maturities of one year or less is included.

(2) OTHER - CASH FLOWS FROM OPERATING ACTIVITIES

“Other” under cash flows from operating activities for the year ended December 31, 2021 includes proceeds from upfront payment under a signed agreement between Kyowa Kirin Co., Ltd., a consolidated subsidiary of the Company, and Amgen Inc. to jointly develop and commercialize KHK4083, an anti-OX40 human monoclonal antibody for the treatment of atopic dermatitis and other autoimmune diseases.

(3) PROCEEDS FROM SALE OF SHARES OF SUBSIDIARIES

Year ended December 31, 2020

Descriptions have been omitted because the amount is immaterial.

Year ended December 31, 2021

On January 25, 2021, Lion Pty Limited, an Australian subsidiary of the Company, transferred the Oceania Non-alcoholic Beverages Business to Bega Cheese Limited and, therefore, lost control of the business.

The details of the assets and liabilities on loss of control and the relationship between (adjusted) proceeds from sale and gain on sale were as set out in the table below. Gain on sale is recorded in other operating income in the consolidated statement of profit or loss.

	(¥ millions)
Consideration received	¥ 44,103
Components of assets and liabilities on loss of control	
Non-current assets	44,113
Current assets	28,146
Non-current liabilities	(5,086)
Current liabilities	(23,093)
Gain on sale of shares of subsidiaries	23
Consideration received	44,103
Cash and cash equivalents held on loss of control	1,217
Proceeds from sale of shares of subsidiaries, net of cash disposed of	42,886

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, 2020	Year ended December 31, 2021
Net change in equity instruments measured at fair value through other comprehensive income		
Amount arising during the year	¥ (15,278)	¥ (2,586)
Before taxes	(15,278)	(2,586)
Tax effects	4,765	762
After taxes	(10,513)	(1,824)
Remeasurements of defined benefit plans		
Amount arising during the year	1,281	9,667
Before taxes	1,281	9,667
Tax effects	(769)	(3,075)
After taxes	512	6,592
Foreign currency translation differences on foreign operations		
Amount arising during the year	(1,028)	31,571
Reclassification adjustments	-	272
Before taxes	(1,028)	31,843
Tax effects	-	-
After taxes	(1,028)	31,843
Cash flow hedges		
Amount arising during the year	729	2,088
Reclassification adjustments	(152)	(693)
Before taxes	577	1,395
Tax effects	(171)	(209)
After taxes	407	1,185
Share of other comprehensive income of equity-accounted investees		
Amount arising during the year	2,614	11,094
Before taxes	2,614	11,094
Tax effects	-	-
After taxes	2,614	11,094
Total other comprehensive income		
Amount arising during the year	(11,681)	51,835
Reclassification adjustments	(152)	(421)
Before taxes	(11,833)	51,414
Tax effects	3,826	(2,522)
After taxes	(8,008)	48,891

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, 2020	Year ended December 31, 2021
Profit attributable to owners of the Company	¥ 71,935	¥ 59,790
Profit not attributable to ordinary shareholders of the Company	-	-
Profit attributable to ordinary shareholders of the Company	71,935	59,790

2) Weighted-average number of ordinary shares (basic)

	(Thousands of shares)	
	Year ended December 31, 2020	Year ended December 31, 2021
Weighted-average number of ordinary shares	840,689	833,599

(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, 2020	Year ended December 31, 2021
Profit attributable to ordinary shareholders of the Company	¥ 71,935	¥ 59,790
Adjustments for potential ordinary shares issued by subsidiary and associates	(22)	(18)
Profit attributable to ordinary shareholders of the Company (diluted)	71,913	59,772

2) Weighted-average number of ordinary shares (diluted)

	(Thousands of shares)	
	Year ended December 31, 2020	Year ended December 31, 2021
Weighted-average number of ordinary shares (basic)	840,689	833,599
Effect of dilution	-	-
Weighted-average number of ordinary shares (diluted)	840,689	833,599

31. SHARE-BASED PAYMENTS

(1) DETAILS OF SHARE-BASED PAYMENT PLANS

Effective from the year ended December 31, 2020, 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.

Effective from the year ended December 31, 2021, Kyowa Kirin Co., Ltd., a subsidiary of the Company, has introduced a performance-linked share-based remuneration plan (Performance Share Unit) for directors and others of the company. The plan aims to provide incentives to continuously improve corporate value and to promote further value sharing with shareholders by further clarifying the linkage between the remuneration and the company’s performance as well as value of the company’s shares. Additionally, Kyowa Kirin Co., Ltd. has adopted a restricted stock compensation system as an equity-settled share-based payment plan for directors of the company, and a phantom stock plan as a cash-settled share-based payment plan for officers and employees of the company and some of its consolidated subsidiaries.

(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, 2020	Year ended December 31, 2021
Grant date	May 12, 2020	March 30, 2021
Number of points granted	54,675	79,165
Fair value at grant date (Yen)	¥ 2,070	¥ 2,187

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, 2020	Year ended December 31, 2021
Grant date	April 6, 2020	April 13, 2021
Number of shares granted (Shares)	97,269	61,961
Fair value at grant date (Yen)	¥ 1,992	¥ 3,145

(4) 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, 2020 and 2021 was ¥155 million and ¥547 million, respectively, which was classified as non-current liabilities.

(5) PERFORMANCE-LINKED SHARE-BASED REMUNERATION PLAN (PERFORMANCE SHARE UNIT)

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 others 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 others during a specified period, normally April, every year.

The carrying amount of liabilities related to the plan was ¥19 million as of December 31, 2021, which was classified as non-current liabilities.

The fair value under the plan is measured based on the market price of the company's shares at 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. The fair value at the aforementioned date for the year ended December 31, 2021 is ¥3,145.

(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

The number of share options and weighted-average exercise prices were as follows:

	Year ended December 31, 2020		Year ended December 31, 2021	
	Number of shares (Shares)	Weighted-average exercise price (Yen)	Number of shares (Shares)	Weighted-average exercise price (Yen)
Outstanding at January 1	437,700	¥ 1	300,600	¥ 1
Grants	-	-	-	-
Exercise	(137,100)	1	(96,700)	1
Expiry or extinguishment at maturity	-	-	-	-
Outstanding at December 31	217,500	1	106,200	1
Exercisable outstanding at December 31	83,100	1	97,700	1

Notes:

1. The weighted-average share price at the exercise dates for the share options exercised during the year ended December 31, 2021 was ¥3,363.
2. The weighted-average remaining period of the outstanding share options was 3.2 years and 3.1 years for the years ended December 31, 2020 and 2021, 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, 2020	Year ended December 31, 2021
Equity-settled	¥207	¥306
Cash-settled	154	381
Total	361	687

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, 2020 and December 31, 2021 were as follows:

	(¥ millions)	
	At December 31, 2020	At December 31, 2021
Trade and other receivables	¥ 373,680	¥ 389,438
Other financial assets measured at amortized cost		
Financial assets in stage 1	28,753	60,227
Financial assets in stage 2	808	895
Financial assets in stage 3	548	561

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, 2020	¥1,435	¥608	¥811	¥3,656
Net provision	1,002	12	4	39
Release due to settlement	(519)	(16)	(6)	(3,171)
Other	(384)	(23)	-	24
Balance at December 31, 2020	1,534	580	809	548
Net provision	251	21	91	22
Release due to settlement	(249)	(4)	(4)	(5)
Other	(19)	0	0	(5)
Balance at December 31, 2021	1,517	598	895	561

The balance of guarantee obligations presented below represents the Group's maximum credit exposure relating to those obligations.

	(¥ millions)	
	At December 31, 2020	At December 31, 2021
Loan obligations of associates and other companies	¥ 1,297	¥ -
Loan obligations of employees	235	167
Total	1,532	167

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, 2020

	(¥ 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	¥ 220,277	¥ 220,277	¥ 220,277	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds and borrowings	642,644	648,001	250,812	18,714	94,482	100,432	87,508	96,054
Derivative liabilities	10,106	10,106	1,651	2,246	-	-	6,209	-
Other financial liabilities (current)	62,130	62,130	62,130	-	-	-	-	-
Deposits received	50,983	54,042	510	510	510	510	510	51,493

At December 31, 2021

	(¥ 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	¥ 229,552	¥ 229,552	¥ 229,552	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds and borrowings	551,471	556,099	102,229	94,679	100,572	91,239	65,274	102,106
Derivative liabilities	4,127	4,127	1,855	4	-	2,268	-	-
Other financial liabilities (current)	45,827	45,827	45,827	-	-	-	-	-
Deposits received	51,171	54,259	515	515	515	515	515	51,686

(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 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, 2020	At December 31, 2021
U.S. dollar (Thousands of U.S. dollars)	239,964	204,923
Euro (Thousands of euro)	103,373	29,903

For the foreign currency denominated financial instruments held by the Group at the reporting date, if the Japanese yen depreciates by 10% against 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, 2020	At December 31, 2021
U.S. dollar	¥ 2,484	¥ 1,913
Euro	1,312	317

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. Meanwhile, the Group was exposed to interest rate risk since the Group held financial instruments with floating interest rates at the end of the previous fiscal year, and therefore used interest rate swaps to avoid interest rate fluctuation risk.

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 ¥585 million and ¥380 million for the years ended December 31, 2020 and 2021, 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, 2020		At December 31, 2021	
	Notional amount	Fair value	Notional amount	Fair value
Forward foreign exchange contracts	¥ 54,318	¥ (44)	¥ 69,810	¥ (469)
Currency swaps	72,530	(8,424)	59,385	(3,113)
Total	126,847	(8,468)	129,196	(3,583)

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, 2020

	(¥ 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	¥ 17,249	¥ 4,317	¥ 227	¥ 852	¥ (651)
Interest rate risk					
Interest rate swaps	93,135	53,135	-	709	501
Commodity price risk					
Commodity swaps (oil)	2,120 thousand liters	760 thousand liters	1	20	(31)
Commodity swaps (aluminum and others)	37 thousand tons	8 thousand tons	611	33	702

The average rates for forward foreign exchange contracts are ¥106.02 to the U.S. dollar and ¥122.68 to the euro, and the average rate for currency swaps is ¥120.29 to the U.S. dollar. The average interest rate for interest rate swaps is 0.72%.

At December 31, 2021

	(¥ 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	¥ 16,387	¥ 4,507	¥ 552	¥ 144	¥ 1,033
Interest rate risk					
Interest rate swaps	-	-	-	-	709
Commodity price risk					
Commodity swaps (oil)	1,010 thousand liters	- thousand liters	16	-	35
Commodity swaps (aluminum and others)	18 thousand tons	7 thousand tons	467	8	(119)

The average rates for forward foreign exchange contracts are ¥109.99 to the U.S. dollar and ¥130.57 to the euro.

The impact on the consolidated statement of comprehensive income as a result of applying hedge accounting was as follows:

Year ended December 31, 2020

	(¥ 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
Cash flow hedges			
Foreign exchange risk	¥ (443)	¥ (35)	Finance costs
Interest rate risk	501	(117)	Finance costs
Commodity price risk	671	-	-

The amount of hedge ineffectiveness recognized in profit or loss was not material.

Year ended December 31, 2021

	(¥ 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
Cash flow hedges			
Foreign exchange risk	¥ 901	¥ 7	Finance income
Interest rate risk	338	371	Finance income
Commodity price risk	849	(1,071)	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, 2020

		(¥ millions)			
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term borrowings (Note)	¥ 274,009	¥ -	¥ -	¥ 275,208	¥ 275,208
Bonds (Note)	209,362	-	209,115	-	209,115

Note: The balance due within one year is included.

At December 31, 2021

		(¥ millions)			
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term borrowings (Note)	¥ 230,137	¥ -	¥ -	¥ 229,866	¥ 229,866
Bonds	239,274	-	238,872	-	238,872

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, 2020

	(¥ millions)			
	Fair value			Total
	Level 1	Level 2	Level 3	
Assets:				
Derivative assets	¥ -	¥ 863	¥ -	¥ 863
Shares	58,475	-	23,207	81,682
Other	-	165	2,806	2,971
Total	58,475	1,028	26,013	85,516
Liabilities:				
Derivative liabilities	-	10,106	-	10,106
Other	-	-	8,209	8,209
Total	-	10,106	8,209	18,315

At December 31, 2021

	(¥ millions)			
	Fair value			Total
	Level 1	Level 2	Level 3	
Assets:				
Derivative assets	¥ -	¥ 1,427	¥ -	¥ 1,427
Shares	37,999	-	22,651	60,650
Other	-	167	3,469	3,636
Total	37,999	1,594	26,120	65,713
Liabilities:				
Derivative liabilities	-	4,127	-	4,127
Other	-	-	10,279	10,279
Total	-	4,127	10,279	14,406

Notes:

- There were no transfers between Level 1 and Level 2 at December 31, 2020 and December 31, 2021.
- 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, 2020	Year ended December 31, 2021
Balance at January 1	¥28,091	¥26,013
Total gains and losses	(2,386)	(1,746)
Profit or loss (Note 1)	-	1,390
Other comprehensive income (Note 2)	(2,386)	(3,136)
Purchases	812	2,847
Sales	(237)	(596)
Other	(267)	(398)
Balance at December 31	26,013	26,120

Note 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.

Note 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 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, 2021 were as follows:

At December 31, 2021

			(¥ millions)
	Gross amount recognized	Amount of offset	Net amount presented in the statement of financial position
Financial assets:			
Cash and cash equivalents	¥ 48,152	¥ (41,286)	¥ 6,866
Financial liabilities:			
Bonds and borrowings	41,286	(41,286)	-

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, 2020	Year ended December 31, 2021
Short-term employee benefits	¥683	¥826
Share-based payments	28	92
Total	711	918

34. LIST OF SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

At December 31, 2020

Name	Location	Ratio of voting rights (%) *1
Kirin Brewery Company, Limited	Nakano-ku, Tokyo	100.0
Eishogen Company, Limited	Nakano-ku, Tokyo	99.9 (99.9)
Kirin Distillery Company, Limited	Gotemba-shi, Shizuoka	100.0 (100.0)
Spring Valley Brewery Company	Shibuya-ku, Tokyo	100.0 (100.0)
Kirin (China) Investment Company, Limited	Shanghai, China	100.0
Kirin Brewery (Zhuhai) Company, Limited	Guangdong, China	100.0 (100.0)
Taiwan Kirin Company, Limited	Taipei, Taiwan	100.0 (100.0)
Kirin Europe GmbH	Dusseldorf, Germany	100.0 (100.0)
Kirin Beverage Company, Limited	Chiyoda-ku, Tokyo	100.0
Lion Pty Limited	New South Wales, Australia	100.0
Lion-Dairy & Drinks Pty Ltd	Victoria, Australia	100.0 (100.0)
Kirin Foods Australia Holdings Pty Ltd	New South Wales, Australia	100.0 (100.0)
Berri Pty Limited	Victoria, Australia	100.0 (100.0)
Lion-Beer, Spirits & Wine Pty Limited	New South Wales, Australia	100.0 (100.0)
Lion (NZ) Limited	Auckland, New Zealand	100.0 (100.0)
New Belgium Brewing Company, Inc.	Colorado, USA	100.0 (100.0)
Kyowa Kirin Co., Ltd.	Chiyoda-ku, Tokyo	53.8
Mercian Corporation	Nakano-ku, Tokyo	100.0
Kirin Holdings Singapore Pte, Ltd.	Singapore	100.0
Interfood Shareholding Company	Dong Nai, Vietnam	95.7 (95.7)
Myanmar Brewery Limited	Yangon, Myanmar	51.0 (51.0)
Mandalay Brewery Limited	Mandalay, Myanmar	51.0 (51.0)
Coca-Cola Beverages Northeast, Inc.	New Hampshire, USA	100.0
Kyowa Hakko Bio Company, Limited	Chiyoda-ku, Tokyo	100.0 (5.0)
Koiwai Dairy Products Company, Limited	Nakano-ku, Tokyo	99.9
Kirin City Company, Limited	Nakano-ku, Tokyo	100.0 (100.0)
Four Roses Distillery, LLC	Kentucky, USA	100.0 (100.0)
Kirin Brewery of America, LLC	California, USA	100.0 (100.0)
Other 125 companies	-	-

Name	Location	Ratio of voting rights (%) *1
Kirin Brewery Company, Limited	Nakano-ku, Tokyo	100.0
Eishogen Company, Limited	Nakano-ku, Tokyo	99.9 (99.9)
Kirin Distillery Company, Limited	Gotemba-shi, Shizuoka	100.0 (100.0)
Spring Valley Brewery Company	Shibuya-ku, Tokyo	100.0 (100.0)
Kirin (China) Investment Company, Limited	Shanghai, China	100.0
Kirin Brewery (Zhuhai) Company, Limited	Guangdong, China	100.0 (100.0)
Taiwan Kirin Company, Limited	Taipei, Taiwan	100.0 (100.0)
Kirin Europe GmbH	Dusseldorf, Germany	100.0 (100.0)
Kirin Beverage Company, Limited	Chiyoda-ku, Tokyo	100.0
Lion Pty Limited	New South Wales, Australia	100.0
Kirin Foods Australia Holdings Pty Ltd	New South Wales, Australia	100.0 (100.0)
Lion-Beer, Spirits & Wine Pty Limited	New South Wales, Australia	100.0 (100.0)
Lion (NZ) Limited	Auckland, New Zealand	100.0 (100.0)
New Belgium Brewing Company, Inc.	Colorado, USA	100.0 (100.0)
Lion Global Craft Beverages Pty Ltd	New South Wales, Australia	100.0
Fermentum Pty Ltd	New South Wales, Australia	100.0 (100.0)
Kyowa Kirin Co., Ltd.	Chiyoda-ku, Tokyo	53.8
Kyowa Kirin Asia Pacific Pte. Ltd.	Singapore	100.0 (100.0)
Mercian Corporation	Nakano-ku, Tokyo	100.0
Kirin Holdings Singapore Pte, Ltd.	Singapore	100.0
Interfood Shareholding Company	Dong Nai, Vietnam	95.7 (95.7)
Myanmar Brewery Limited	Yangon, Myanmar	51.0 (51.0)
Mandalay Brewery Limited	Mandalay, Myanmar	51.0 (51.0)
Coca-Cola Beverages Northeast, Inc.	New Hampshire, USA	100.0
Kyowa Hakko Bio Company, Limited	Chiyoda-ku, Tokyo	100.0 (5.0)
Koiwai Dairy Products Company, Limited	Nakano-ku, Tokyo	99.9
Kirin City Company, Limited	Chuo-ku, Tokyo	100.0 (100.0)
Four Roses Distillery, LLC	Kentucky, USA	100.0 (100.0)
Kirin Brewery of America, LLC	California, USA	100.0 (100.0)
Other 116 companies	-	-

* 1. Figures in parentheses in ratio of voting rights represent ratio of indirect ownership.

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, 2020	At December 31, 2021
Non-controlling interests ratio	46.23%	46.25%
Accumulated amount of non-controlling interests (¥ millions)	¥ 222,676	¥ 240,526

	Year ended December 31, 2020	Year ended December 31, 2021
Profit or loss allocated to non-controlling interests	¥ 22,831	¥ 24,211
Dividends to non-controlling interests	10,920	11,177

(2) SUMMARIZED FINANCIAL INFORMATION

1) Summary of consolidated statement of financial position

	At December 31, 2020	At December 31, 2021
Total non-current assets	¥ 316,205	¥ 361,037
Total current assets	442,482	518,231
Total equity	655,792	694,559
Total non-current liabilities	22,145	75,581
Total current liabilities	80,749	109,129

2) Summary of consolidated statement of profit or loss

	Year ended December 31, 2020	Year ended December 31, 2021
Revenue	¥ 318,352	¥ 352,246
Profit	47,027	52,347

3) Summary of consolidated statement of comprehensive income

	Year ended December 31, 2020	Year ended December 31, 2021
Other comprehensive income	¥ (3,416)	¥ 10,404
Total comprehensive income	43,611	62,751

4) Summary of consolidated statement of cash flows

	Year ended December 31, 2020	Year ended December 31, 2021
Net cash flows from operating activities	¥ 39,502	¥ 86,548
Net cash flows from (used in) investing activities	252,559	(11,363)
Net cash flows from (used in) financing activities	(26,003)	(28,446)

36. EQUITY-ACCOUNTED INVESTEEES

Carrying amounts of equity-accounted investees were as follows:

	(¥ millions)	
	At December 31, 2020	At December 31, 2021
Joint ventures	¥ 17,766	¥ (19,426)
Associates	369,701	399,367
Total	387,467	379,941

(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, 2020	At December 31, 2021
Percentage ownership interest	48.55%	48.55%
Total non-current assets	¥ 222,517	¥ 229,417
Total current assets	63,424	72,994
Total non-current liabilities	45,802	57,125
Total current liabilities	68,268	58,746
Equity	171,871	186,540
Non-controlling interests	7,198	8,030
Equity after deduction of non-controlling interests	164,673	178,511
Equity attributable to the Group	79,949	86,667
Goodwill and consolidation adjustments	81,678	81,685
Carrying amount of equity	161,626	168,352

	(¥ millions)	
	Year ended December 31, 2020	Year ended December 31, 2021
Revenue	¥ 240,590	¥ 262,087
Profit or loss from continuing operations	40,186	45,546
Equity attributable to owners of the Company	39,294	44,703
Non-controlling interests	892	843
Other comprehensive income	3,673	3,480
Equity attributable to owners of the Company	3,673	3,480
Non-controlling interests	-	-
Total comprehensive income	43,859	49,025
Equity attributable to owners of the Company	42,968	48,182
Non-controlling interests	892	843
Share of:		
Profit or loss from continuing operations	19,077	21,703
Other comprehensive income	1,783	1,689
Total comprehensive income	20,861	23,393
Goodwill and consolidation adjustments	39	8
Total share of the Group	20,900	23,400
Dividends received by the Group	16,059	16,674

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, 2020	At December 31, 2021
Percentage ownership interest	32.77%	32.77%
Total non-current assets	¥ 261,588	¥ 259,615
Total current assets	49,363	51,560
Total non-current liabilities	81,646	79,708
Total current liabilities	14,636	14,934
Equity	214,669	216,533
Equity attributable to the Group	70,347	70,958
Goodwill and consolidation adjustments	57,986	57,956
Share acquisition rights	(217)	(210)
Carrying amount of equity	128,116	128,704
Fair value of equity (Note)	162,709	135,624

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, 2020	Year ended December 31, 2021
Revenue	¥ 114,189	¥ 107,731
Profit or loss from continuing operations	5,349	5,824
Other comprehensive income	(41)	72
Total comprehensive income	5,308	5,896
Share of:		
Profit or loss from continuing operations	1,280	1,909
Other comprehensive income	(13)	24
Total comprehensive income	1,266	1,932
Goodwill and consolidation adjustments	-	-
Total share of the Group	1,266	1,932
Dividends received by the Group	1,350	1,344

(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, 2020	At December 31, 2021
Joint ventures	¥ 17,766	¥ (19,426)
Associates	79,958	102,311
Total	97,724	82,885

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, 2020	Year ended December 31, 2021
Share of:		
Profit or loss from continuing operations	¥ 747	¥ 3,821
Other comprehensive income	(271)	595
Total comprehensive income	476	4,416

2) Individually immaterial associates

	(¥ millions)	
	Year ended December 31, 2020	Year ended December 31, 2021
Share of:		
Profit or loss from continuing operations	¥ 3,648	¥ 7,058
Other comprehensive income	1,076	7,613
Total comprehensive income	4,724	14,671

37. COMMITMENTS

Commitments for asset acquisitions after the reporting date were as follows:

	(¥ millions)	
	At December 31, 2020	At December 31, 2021
Acquisition of property, plant and equipment	¥ 25,991	¥ 42,222
Acquisition of intangible assets	250,045	311,679
Total	276,036	353,901

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 of 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

Acquisition of Fermentum Pty Ltd by the Group

(1) OUTLINE OF THE BUSINESS COMBINATION

On November 30, 2021, the Company acquired 100% of the voting rights in Fermentum Pty Ltd through Lion Pty Limited, a subsidiary in Australia, and obtained control of the company. The outline of the transaction was as follows:

Name of the acquired company	Fermentum Pty Ltd
Business outline	Craft beer brewing
Major reason for the business combination	Enhance profitability for the craft beer business in Australia
Acquisition date	November 30, 2021
Method by which the acquiring company obtained control of the acquired company	Acquisition of shares for cash consideration
Ratio of voting rights acquired	100%

(2) ASSETS ACQUIRED AND LIABILITIES ASSUMED

	(¥ millions)
Item	Amount
Current assets	¥ 2,364
Non-current assets	17,271
Total assets	19,635
Current liabilities	1,505
Non-current liabilities	5,043
Total liabilities	6,548
Net assets	13,087

(3) GOODWILL ARISING FROM ACQUISITION

	(¥ millions)
Item	Amount
Consideration for acquisition	¥ 44,749
Fair value of identifiable net assets acquired by the Group	13,087
Goodwill arising from acquisition	31,662

Amounts of goodwill, assets acquired and liabilities assumed at the acquisition date, and other items are provisional since the Group is in the process of determining the identifiable assets and liabilities and allocation of acquisition costs has not been completed at the end of the reporting period.

Goodwill arose from expected excess earnings power in the future due to further business development.

(4) RELATIONSHIPS BETWEEN CONSIDERATION FOR ACQUISITION AND EXPENDITURES FOR ACQUISITION OF SHARES OF SUBSIDIARIES

	(¥ millions)
Item	Amount
Consideration for acquisition	¥ 44,749
Consideration for acquisition comprising cash and cash equivalents	44,749
Cash and cash equivalents held by the acquired company	397
Acquisition of shares of subsidiaries, net of cash acquired	44,352

(5) ACQUISITION-RELATED COSTS

Acquisition-related costs of ¥233 million were recorded in other operating expenses.

(6) IMPACT ON THE GROUP

Revenue and profit arising from Fermentum Pty Ltd since the acquisition date were ¥645 million and ¥132 million, respectively. Assuming this business combination was executed at the beginning of the reporting period, the pro forma revenue and profit in the consolidated statement of profit or loss for the year ended December 31, 2021 would be ¥1,827,646 million and ¥68,713 million, respectively. This pro forma information is unaudited.

39. SUBSEQUENT EVENTS

Transfers of shares of equity method affiliate

The Company agreed with Plateau Consumer Limited (hereafter, “Plateau”) to transfer its equity interest in China Resources Kirin Beverages (Greater China) Company Limited (hereafter, “CR Kirin”), which is the holding company of China Resources C’estbon Beverage (China) Investment Company Limited (hereafter, “CR C’estbon”) which operates a beverage business centered on water in China, a joint venture with China Resources Enterprise, Limited (hereafter, “China Resources”), to Plateau (hereafter the “Transfer of Shares”) and executed a share purchase agreement on February 16, 2022. The transfer price is approximately ¥115.0 billion (US\$1,000 million at an exchange rate of US\$1 = ¥115.00).

(1) REASONS FOR THE TRANSFER OF SHARES

In 2011, the Company agreed to establish a joint venture for soft drink business in China with China Resources, which operates retail, beer, food and soft drink businesses in China. Over the past 10 years, CR C’estbon has been expanding its business across China.

Although CR C’estbon has achieved steady growth primarily in the water business, the Company has entered into an agreement to transfer its equity interest in CR Kirin to Plateau after careful consideration, including from the perspective of balance sheet portfolio management as set forth in the 2022 Medium-Term Business Plan.

(2) OVERVIEW OF CR KIRIN

Name	China Resources Kirin Beverages (Greater China) Company Limited	
Business	Manufacture and sale of beverages in China	
	Capital relationship	CR Kirin is an equity-method affiliate.
Relationship with the Company	Personnel relationship	Some employees of the Company are seconded to CR Kirin as members of the board of the directors and other positions.
	Business relationship	The Company provides management services and business supports to CR Kirin. CR Kirin acts as a distributor of the Company for the sale of beverage products in Hong Kong.

(3) NUMBER OF SHARES AND PERCENTAGE OF SHAREHOLDING BEFORE AND AFTER THE TRANSFER OF SHARES

Shares owned before change	400 shares (Voting rights ownership percentage: 40%)
Number of shares to be transferred	400 shares
Shares owned after change	0 shares (Voting rights ownership percentage: 0%)

(4) SCHEDULE

The date of the share transfer is yet to be determined.

(5) FINANCIAL IMPACT

The Company expects to recognize a gain on sale of equity-accounted investees of approximately ¥39.0 billion in the year ending December 31, 2022. The amount of gain on sale is the current estimate and is subject to change due to factors such as foreign exchange rate.

Acquisition of shares of the Company

At the meeting of the Board of Directors held on February 14, 2022, the Company resolved to acquire shares of the Company based on 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.

(1) REASON FOR THE ACQUISITION OF SHARES OF THE COMPANY

The Company will repurchase shares to enhance shareholder returns.

(2) DETAILS OF THE ACQUISITION

1) Class of shares to be acquired	Shares of common stock of the Company
2) Maximum number of shares to be acquired	30,000,000 shares (representing 3.6% of total outstanding shares (excluding treasury shares))
3) Total acquisition cost	Up to ¥50,000 million
4) Period for acquisition	February 15, 2022 to February 14, 2023

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

March 30, 2022

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

KPMG AZSA LLC
Tokyo Office, Japan

Masakazu Hattori
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 Report, which comprise the consolidated statement of financial position as at December 31, 2021, 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Article 93 of “the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (hereinafter referred to as “IFRS”).

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.

[1] Reasonableness of the valuation of goodwill and certain intangible assets allocated to the Alcoholic Beverages business in Myanmar and its property, plant and equipment	
The key audit matter	How the matter was addressed in our audit
<p>Myanmar Brewery Limited (“MBL”), a consolidated subsidiary of Kirin Holdings Company, Limited (the “Company”), is a joint venture between the Company and Myanma Economic Holdings Public Company Limited (“MEHPCL”), which has a business relationship with Myanmar’s military.</p> <p>As described in Note 9. “Impairment of non-financial assets” to the consolidated financial statements, an impairment loss of ¥68,049 million was recognized for the current fiscal year on goodwill and intangible assets with indefinite useful lives (“goodwill and certain intangible assets”) allocated to the Alcoholic Beverages business in Myanmar, which is the cash-generating unit that includes MBL as the core company, as well as its property, plant and equipment. The amount of the impairment loss was equivalent to the entire carrying amount of these assets.</p> <p>A cash-generating unit to which goodwill and certain intangible assets are allocated needs to be tested for impairment annually and whenever there is an impairment indicator. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount should be reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.</p> <p>In the current fiscal year, impairment losses on goodwill and certain intangible assets, and property, plant and equipment were recognized in the second and fourth quarters.</p> <p>(Recognition of an impairment loss in the second quarter)</p> <p>Since the coup d'etat by Myanmar’s military in February 2021, the future business plans of the Alcoholic Beverages business in Myanmar had become increasingly uncertain due to the deteriorating market environment caused by political instability in the country, supply chain disruptions, the spread of COVID-19 infections, and other factors. Because of these circumstances, there were impairment indicators. Accordingly, the Company performed an impairment test and recognized an impairment loss of ¥21,429 million in the second</p>	<p>The primary audit procedures we performed to assess the reasonableness of the valuation of goodwill and certain intangible assets allocated to the Alcoholic Beverages business in Myanmar and its property, plant and equipment included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the calculation of the recoverable amounts used in the impairment testing of the cash-generating unit to which goodwill and certain intangible assets are allocated, with a particular focus on controls to validate the reasonableness of the estimated future cash flows.</p> <p>(2) Assessment of the reasonableness of the significant assumptions</p> <p>In order to assess whether key assumptions used for estimating the recoverable amount were reasonable, we:</p> <ul style="list-style-type: none"> ● inquired of management and inspected the related materials, such as the minutes of the board of directors’ meetings, regarding the status of and the approach to the negotiations to dissolve the joint venture relationship with MEHPCL; ● inquired of management and inspected the related materials, such as the minutes of the board of directors’ meetings, regarding the status of deliberations in the court in Myanmar on the petition to liquidate MBL filed by MEHPCL; and ● circularized the Company’s legal counsel regarding the legal validity of the petition to liquidate MBL filed by MEHPCL, the status of deliberations in the court in Myanmar, and the probability of the court granting the liquidation of MBL.

<p>quarter of the current fiscal year.</p> <p>(Recognition of an impairment loss in the fourth quarter)</p> <p>In November 2021, MEHPCL filed a petition to liquidate MBL with a court in Myanmar. There were no progress at the end of the current fiscal year in the negotiations to dissolve the joint venture between the Company and MEHPCL. In February 2022, the Company's board of directors approved a plan to withdraw from the business. In the annual impairment test performed by the Company, considering these circumstances, the recoverable amount of the business was evaluated to be zero and an additional impairment loss of ¥46,620 million, equivalent to the entire remaining carrying amount of goodwill and certain intangible assets, as well as property, plant and equipment of the business, was recognized in the fourth quarter of the current fiscal year.</p> <p>In the annual impairment test for the current fiscal year, the recoverable amount of the Alcoholic Beverages business in Myanmar was calculated based on the estimated future cash flows of the business approved by the Company's management. Significant assumptions principally concerning the matters set out below were used to estimate the future cash flows of the business, which involved a high degree of uncertainty.</p> <ul style="list-style-type: none"> ● prospects for negotiation to dissolve the joint venture with MEHPCL; and ● prospects that the court would decide to commence the liquidation of MBL in response to the petition filed by MEHPCL with a court in Myanmar. <p>We, therefore, determined that our assessment of the reasonableness of the valuation of goodwill and certain intangible assets allocated to the Alcoholic Beverages business in Myanmar, as well as its property, plant and equipment was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	
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[2] Reasonableness of the valuation of goodwill allocated to the Bio-chemicals business	
The key audit matter	How the matter was addressed in our audit
<p>As described in Note 9. “Impairment of non-financial assets” to the consolidated financial statements, Kirin Holdings Company, Limited (the “Company”) recognized goodwill of ¥12,874 million yen (representing 0.5% of total assets) allocated to a group of cash-generating units related to the Bio-chemicals business at the end of the current fiscal year.</p> <p>A group of cash-generating units to which goodwill is allocated needs to be tested for impairment annually and whenever there is an impairment indicator. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount should be reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.</p> <p>As a result of the annual impairment test in the current fiscal year, the Company recognized no impairment loss, as the recoverable amount of the Bio-chemicals business exceeded its carrying amount.</p> <p>The recoverable amount of the Bio-chemicals business in the annual impairment test for the current fiscal year was measured based on the value in use. The value in use was calculated by discounting the estimated future cash flows based on the business plan approved by the Company’s management to the present value.</p> <p>The business plan used as the basis for calculating the value in use included significant assumptions, such as the expansion of the market size as well as the acquisition of market share of the core products and new products. These assumptions, which involved a high degree of uncertainty, and management’s judgment thereon had a significant effect on the calculation of the value in use.</p> <p>In addition, selecting appropriate models and input data for determining the discount rate used to calculate the value in use required a high degree of valuation expertise.</p> <p>We, therefore, determined that our assessment of the reasonableness of the valuation of goodwill allocated to the Bio-chemicals business, which is a group of cash-generating units, was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary audit procedures we performed to assess the reasonableness of the valuation of goodwill allocated to the group of cash-generating units related to the Bio-chemicals business included the following:</p> <p>(1) Internal control testing</p> <p>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 on a group of cash-generating units to which goodwill is allocated, with a particular focus on controls to validate the reasonableness of the estimated future cash flows.</p> <p>(2) Assessment of the reasonableness of the estimated value in use</p> <p>In order to assess the reasonableness of key assumptions underlying the business plan of the Bio-chemicals business used as the basis for calculating the value in use, we:</p> <ul style="list-style-type: none"> ● inquired of management about the rationales for key assumptions; ● confirmed the consistency of assumptions regarding the expected expansion of the market size of the core products and new products with most recent available external information on market forecasts; ● assessed the reasonableness of assumptions regarding the expected acquisition of market share of the core products by analyzing a trend in the market share of the core products based on the past years’ information and evaluating the competitiveness of the core products over competing products; and ● assessed the reasonableness of assumptions regarding the expected acquisition of market share of new products by evaluating the competitiveness of the new products over competing products and the expected timing of market launch of the new products. <p>In addition, we performed the following procedures by involving valuation specialists within our network firms who assisted our evaluation of the discount rate used to calculate the value in use:</p> <ul style="list-style-type: none"> ● evaluated the appropriateness of the models used for determining the discount rate based on the requirements of the accounting standards; and compared input data used for determining the discount rate with market data published by external organizations obtained by the valuation specialists.

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, 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 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, 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, related safeguards.

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, 2021, 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, 2021, 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, related safeguards.

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 are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Audit Report:

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 (<i>Naibutosei Hokokusho</i>)
[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 30, 2022
[Company name]	Kirin Holdings Kabushiki Kaisha
[Company name in English]	Kirin Holdings Company, Limited
[Title and name of representative]	Yoshinori Isozaki, President & Chief Executive Officer
[Title and name of Chief Financial Officer]	Noriya Yokota, Director of the Board
[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) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya) Securities Membership Corporation Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka) Securities Membership Corporation Sapporo Securities Exchange (14-1, Minami-ichijo-nishi 5-chome, Chuo-ku, Sapporo)

1. BASIC FRAMEWORK OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Yoshinori Isozaki, President & Chief Executive Officer, and Noriya Yokota, Director of the Board, 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 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, 2021 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 entire financial reporting on a consolidation 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 in descending order of 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

We changed the core operating system used by the Company and some of its consolidated subsidiaries after the last day of the fiscal year under review. This change may have a material impact on assessing the effectiveness of the Company’s internal control over financial reporting in or after the following fiscal year.

5. OTHER

Not applicable.