

KIRIN HOLDINGS COMPANY, LIMITED

Annual Securities Report
("Yukashoken Hokokusho")

For the year ended December 31, 2022

This is an English translation of the original Annual Securities Report (extract) filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' Network ("EDINET") on March 30, 2023, 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 on the Financial Statements and Internal Control Over Financial Reporting in the original Annual Securities Report are included at the end of this document.

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[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, 2023
[Fiscal year]	The 184 th fiscal year (January 1, 2022 through December 31, 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
[Address of registered head office]	10-2, Nakano 4-chome, Nakano-ku, Tokyo, Japan
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[Nearest place of contact]	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		180 th	181 st	182 nd	183 rd	184 th
Fiscal year ended		December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Revenue	(¥ millions)	1,930,522	1,941,305	1,849,545	1,821,570	1,989,468
Profit before tax	(¥ millions)	246,852	116,823	124,550	99,617	191,387
Profit attributable to owners of the Company	(¥ millions)	164,202	59,642	71,935	59,790	111,007
Comprehensive income attributable to owners of the Company	(¥ millions)	104,093	54,134	64,028	109,631	189,195
Equity attributable to owners of the Company	(¥ millions)	906,578	906,576	838,584	894,179	980,022
Total assets	(¥ millions)	2,303,624	2,412,874	2,459,363	2,471,933	2,542,263
Equity per share attributable to owners of the Company	(¥)	1,032.55	1,043.57	1,005.96	1,072.69	1,210.16
Basic earnings per share	(¥)	183.57	68.00	85.57	71.73	135.08
Diluted earnings per share	(¥)	183.53	67.98	85.54	71.70	135.07
Equity ratio attributable to owners of the Company	(%)	39.4	37.6	34.1	36.2	38.5
Ratio of profit to equity attributable to owners of the Company	(%)	17.7	6.6	8.2	6.9	11.8
Price earnings ratio	(times)	12.52	35.15	28.45	25.75	14.89
Cash flows from operating activities	(¥ millions)	198,051	178,826	164,839	219,303	135,562
Cash flows from investing activities	(¥ millions)	47,389	(175,619)	(115,981)	(56,408)	(10,399)
Cash flows from financing activities	(¥ millions)	(226,699)	(9,997)	(52,474)	(180,463)	(167,835)
Cash and cash equivalents at end of year	(¥ millions)	173,102	165,671	161,667	149,488	88,060
Number of employees [separately, average number of temporary employees]	(persons)	30,464 [5,912]	31,040 [4,677]	31,151 [5,063]	29,515 [4,077]	30,538 [4,012]

Notes:

1. The Kirin Group's consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS").
2. Amounts are rounded to the nearest ¥1 million.
3. The amounts of revenue and profit before tax are those from continuing operations.
4. The Company has retroactively adjusted the tax effects on intangible assets acquired through business combination in the 180th fiscal year as a result of a change in accounting policy in the 181st fiscal year.

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

Fiscal year		180 th	181 st	182 nd	183 rd	184 th
Fiscal year ended		December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Sales	(¥ millions)	106,823	138,629	138,798	139,504	152,789
Ordinary income	(¥ millions)	95,698	77,666	72,043	73,830	76,878
Net income	(¥ millions)	190,876	147,226	79,333	77,251	48,679
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)	981,492	1,041,712	987,054	1,007,022	951,119
Total assets	(¥ millions)	1,701,443	1,945,335	1,969,497	1,996,761	1,898,795
Net assets per share	(¥)	1,117.87	1,199.12	1,184.06	1,208.06	1,174.47
Dividend per share	(¥)	51.00	64.00	65.00	65.00	69.00
[Of which, interim dividend per share]	(¥)	[24.00]	[31.50]	[32.50]	[32.50]	[32.50]
Net income per share	(¥)	213.39	167.87	94.37	92.67	59.24
Net income per share (diluted)	(¥)	—	—	—	—	—
Ratio of equity to total assets	(%)	57.7	53.5	50.1	50.4	50.1
Return on equity	(%)	19.76	14.55	7.82	7.75	4.97
Price earnings ratio	(times)	10.77	14.24	25.79	19.93	33.95
Dividend payout ratio	(%)	23.9	38.1	68.9	70.1	116.5
Number of employees	(persons)	20	1,070	1,117	1,156	914
Total shareholder return	(%)	82.7	88.2	92.0	73.6	81.9
[Benchmark: Dividend-included TOPIX]	(%)	[84.0]	[99.2]	[106.6]	[120.2]	[117.2]
Highest stock price	(¥)	3,199.00	2,729.00	2,591.00	2,430.00	2,306.00
Lowest stock price	(¥)	2,163.00	2,033.00	1,826.00	1,788.00	1,739.00

Notes:

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

2. HISTORY

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

Month/Year	Primary events
February 1907	Kirin Brewery Company, Limited (the forerunner of Kirin Holdings Company, Limited) established.
July 1907	Listed on the Tokyo Stock Exchange.
March 1928	Starts manufacturing soft drinks.
May 1949	Listed on the Tokyo Stock Exchange and Osaka Securities Exchange upon the resumption of securities trading.
April 1963	Vending Machine Services Co., Ltd. (the forerunner of Kirin Beverage Company, Limited) established.
August 1972	Kirin-Seagram Co., Ltd. (the forerunner of Kirin Distillery Company, Limited) established.
August 1975	◆ Formulates “Transformation Initiative 1975: Laying the Groundwork for Achieving Consistent Growth.” First phase of business diversification.
June 1976	Koiwai Dairy Products Company, Limited established.
May 1977	KW Inc. (the forerunner of Coca-Cola Beverages Northeast, Inc.) established.
December 1981	◆ Formulates the Long-Term Management Vision (the 21st Long-Term Plan). Second phase of business diversification.
May 1983	Kirin City Company, Limited established.
August 1983	Heineken Japan Co., Ltd. (the forerunner of Heineken 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. * Completes the transfer of shares in August 2022
October 2011	Makes Schincariol Participações e Representações S.A. (that changes its name to Brasil Kirin Participações e Representações S.A. in 2012) a consolidated subsidiary and makes it a wholly owned subsidiary in November 2011. * Completes the transfer of shares in June 2017.
October 2012	◆Formulates the Long-Term Management Vision “Kirin Group Vision 2021” (KV2021).
January 2013	Kirin Company, Limited (the forerunner of Kirin Holdings Company, Limited) established, and CSV Division established.
January 2015	SPRING VALLEY BREWERY COMPANY established.
August 2015	Makes Myanmar Brewery Limited a consolidated subsidiary. * Completes the transfer of shares in January 2023.
February 2016	◆Revises to new Long-Term Management Vision “Kirin Group Vision 2021” (new KV2021).
February 2016	Formulates Corporate Governance Policy.
February 2017	The Brooklyn Brewery Japan established.
December 2017	Makes Mandalay Brewery Limited a consolidated subsidiary. * Completes the transfer of shares in January 2023.
October 2018	Acquires a stake in Thorne Research, Inc. (the forerunner of Thorne HealthTech, Inc.)
February 2019	◆Formulates the Long-Term Management Vision “Kirin Group Vision 2027” (KV2027).
April 2019	Acquires a 95% of stake in Kyowa Hakko Bio Co., Ltd. from Kyowa Kirin Co., Ltd. * Makes Kyowa Hakko Bio Co., Ltd. a wholly owned subsidiary in January 2023.
July 2019	Absorbs and merges Kirin Company, Limited.
September 2019	Acquires a stake in FANCL CORPORATION.
January 2020	Makes New Belgium Brewing Company, Inc. a wholly owned subsidiary.
November 2021	Makes Fermentum Pty Ltd a wholly owned subsidiary.
January 2022	Makes Bell’s Brewery Inc. a wholly owned subsidiary.

3. DESCRIPTION OF BUSINESS

The Kirin Group, which has introduced a pure holding company structure, consists of the Company, 148 consolidated subsidiaries, and 30 equity-accounted investees. As a holding company, the Company formulates Group strategies, monitors management of the Group, and provides specialized services to Group companies. The Kirin Group's principal businesses and how primary Group companies engage in such businesses are described below.

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

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

Japan Beer and Spirits Businesses

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

Japan Non-alcoholic Beverages Business

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

Oceania Adult Beverages Business

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

Pharmaceuticals Business

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

Others

Mercian Corporation (a consolidated subsidiary of the Company) conducts import, production, and sale of alcoholic beverages in Japan.

Coca-Cola Beverages Northeast, Inc. (a consolidated subsidiary of the Company) conducts production and sale of Coca-Cola beverages in the United States.

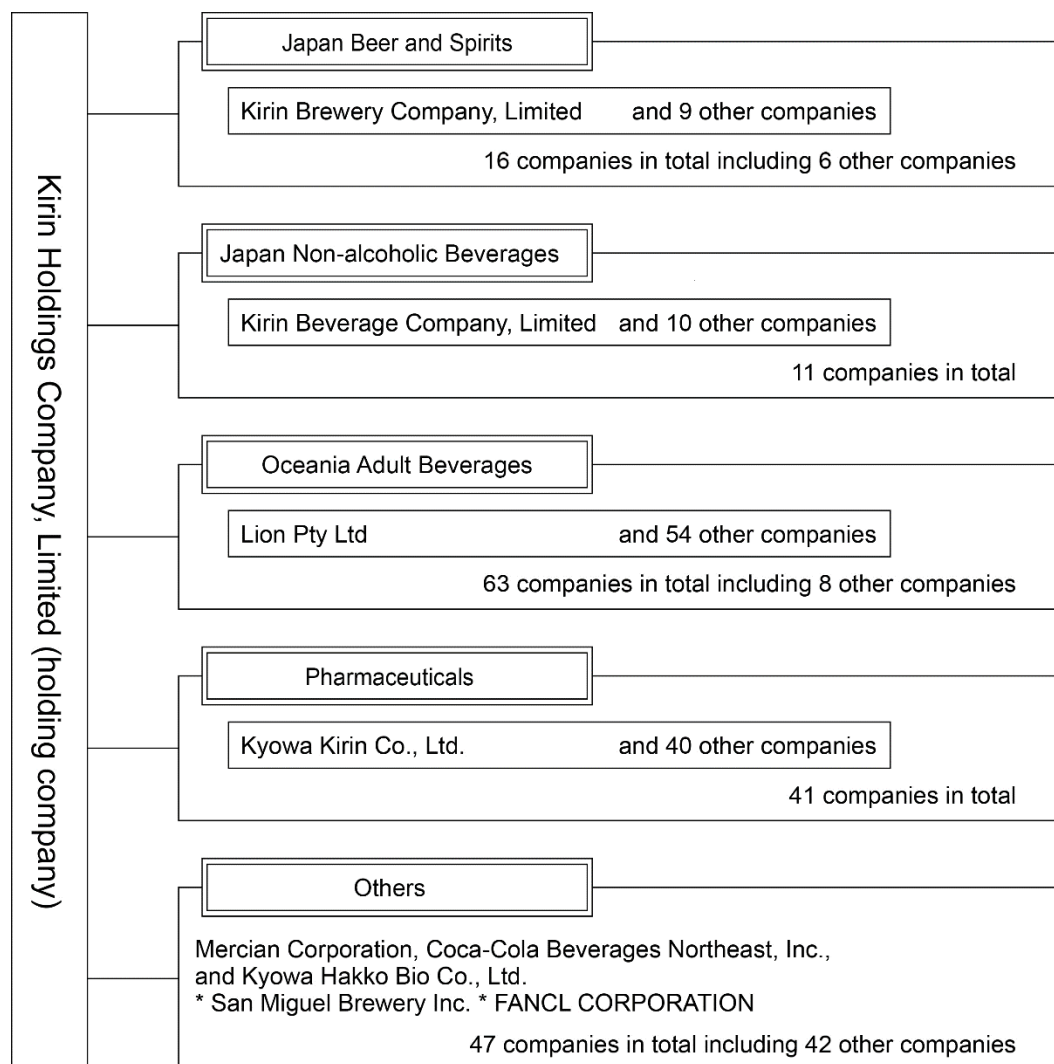
Kyowa Hakko Bio Co., Ltd. (a consolidated subsidiary of the Company) conducts production and sale of pharmaceutical raw materials, amino acids, and health foods.

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.

Myanmar Brewery Limited (a consolidated subsidiary of the Company; "MBL") and Mandalay Brewery Limited (a consolidated subsidiary of the Company; "MDL") conduct production and sale of beer in Myanmar. The Company transferred all the shares (51% of the total number of shares issued) of MBL and MDL held by Kirin Holdings Singapore Pte, Ltd., a consolidated subsidiary of the Company, to MBL and MDL (share repurchase by MBL and MDL) on January 23, 2023. 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) 148 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	Lending of funds, leasing and renting of equipment Concurrent appointments of officers: Yes
Lion Pty Ltd *1	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	New South Wales, Australia	A\$500,000 thousand	Oceania Adult Beverages	100.0 (100.0)	None
Lion-Beer, Spirits & Wine Pty Limited *1	New South Wales, Australia	A\$1,500,000 thousand	Oceania Adult Beverages	100.0 (100.0)	None
Lion (NZ) Limited *1	Auckland, New Zealand	NZ\$414,794 thousand	Oceania Adult Beverages	100.0 (100.0)	None
New Belgium Brewing Company, Inc.*1	Colorado, USA	U.S.\$396,585 thousand	Oceania Adult beverages	100.0 (100.0)	None
Lion Global Craft Beverages Pty Ltd *1	New South Wales, Australia	A\$259,449 thousand	Oceania Adult Beverages	100.0	None
Fermentum Pty Ltd	New South Wales, Australia	A\$30,304 thousand	Oceania Adult Beverages	100.0 (100.0)	None
Bell's Brewery Inc.	Michigan, USA	U.S \$887	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 *6	Yangon, Myanmar	MMK16,207 million	Others	51.0 (51.0)	Concurrent appointments of officers: Yes
Mandalay Brewery Limited *6	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

Name	Location	Share capital or investments in capital (¥ millions)	Principal business	Ratio of voting rights (%)	Relationship with the Company
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 118 companies	—	—	—	—	—

(2) 30 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	32.7	Concurrent appointments of officers: Yes
Thorne HealthTech, Inc.	New York, USA	U.S.\$528,124	Others	29.7	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: 635,081
 - Profit before tax: 17,961
 - Profit: 11,494
 - Total equity: 49,494
 - Total assets: 392,427
- *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: 216,463
 - Profit before tax: 4,758
 - Profit: 3,142
 - Total equity: 50,526
 - Total assets: 123,721
- *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 an Annual Securities Report.
- *6: The transfer of shares in Myanmar Brewery Limited and Mandalay Brewery Limited was completed as of January 23, 2023.
- The above is part of the disclosure required under IFRS and is referred to in “V. FINANCIAL INFORMATION, Notes to Consolidated Financial Statements, 34. LIST OF SUBSIDIARIES.”

5. EMPLOYEES

(1) INFORMATION ABOUT CONSOLIDATED COMPANIES

As of December 31, 2022

Segment	Number of employees (persons)
Japan Beer and Spirits	4,275 [855]
Japan Non-alcoholic Beverages	3,467 [562]
Oceania Adult Beverages	4,049 [469]
Pharmaceuticals	5,982 [214]
Others	11,446 [1,912]
Administration	1,319 [–]
Total	30,538 [4,012]

Notes:

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

(2) INFORMATION ABOUT REPORTING COMPANY

As of December 31, 2022

Number of employees (persons)	Average age (years-old)	Average length of service (years)	Average annual salary (yen)
914	42.49	15.0	9,426,260

Ratio of female managers (%)	Wage gap between male and female employees (%)	Ratio of male employees who took childcare leave (%)
10.6	(1) All employees 70.5 (2) Regular employees 71.2 (3) Non-regular employees 44.9	73.0

Notes:

1. The number of employees indicates the number of employees currently on duty.
2. The average length of service is an approximate figure because the method of calculation differs depending on the employment status and other factors.
3. The average annual salary includes bonuses and extra wages.
4. The ratio of female managers, the wage gap between male and female employees, and the ratio of male employees who took childcare leave are based on all employees of Kirin Holdings.
5. The wage gap between male and female employees and the ratio of male employees who took childcare leave are based on the calculation methods adopted by the Ministry of Health, Labour and Welfare.
6. The number of employees decreased by 242 compared to the end of the previous fiscal year. This decrease is mainly due to the transfer of employees to operating companies as a result of the division of functions within Kirin Holdings.

(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. Toward the realization of KV2027, Kirin Holdings also formulated the *Kirin Group CSV Purpose* (CSV Purpose), a guideline for co-creating value with society and achieving sustainable growth.

Long-Term Management Vision Kirin Group Vision 2027

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

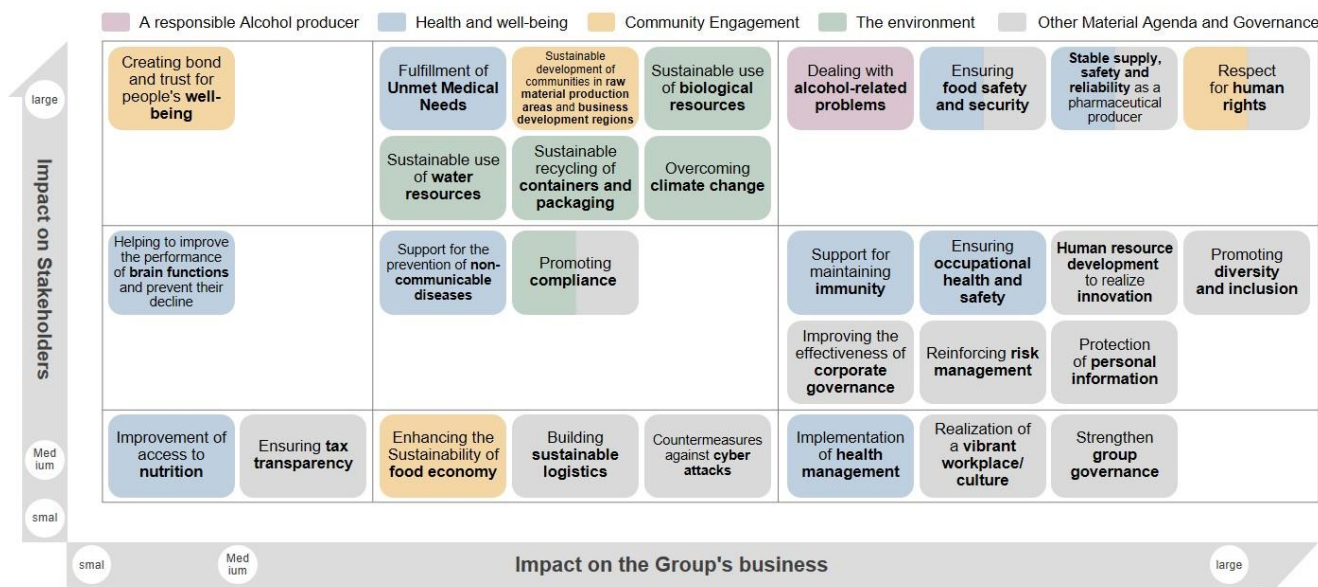


To create value across our world of Food & Beverages to Pharmaceuticals, Kirin Holdings established the Health Science domain to take advantage of its unique strengths, in addition to the existing business domains, namely the Food & Beverages domain (alcoholic and non-alcoholic beverages businesses)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

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

Kirin Holdings has organized its Management Issues for Sustainable Growth (Kirin Group 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.

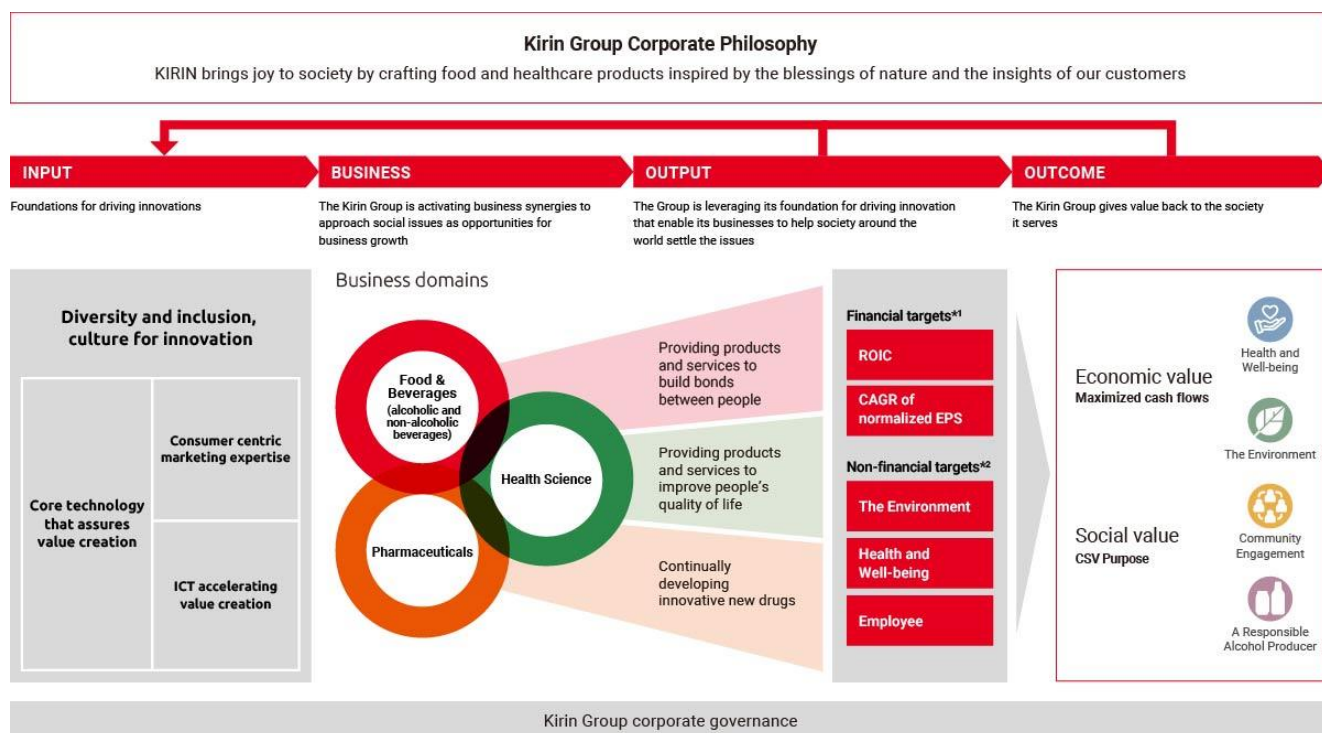
Kirin Group CSV Purpose

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



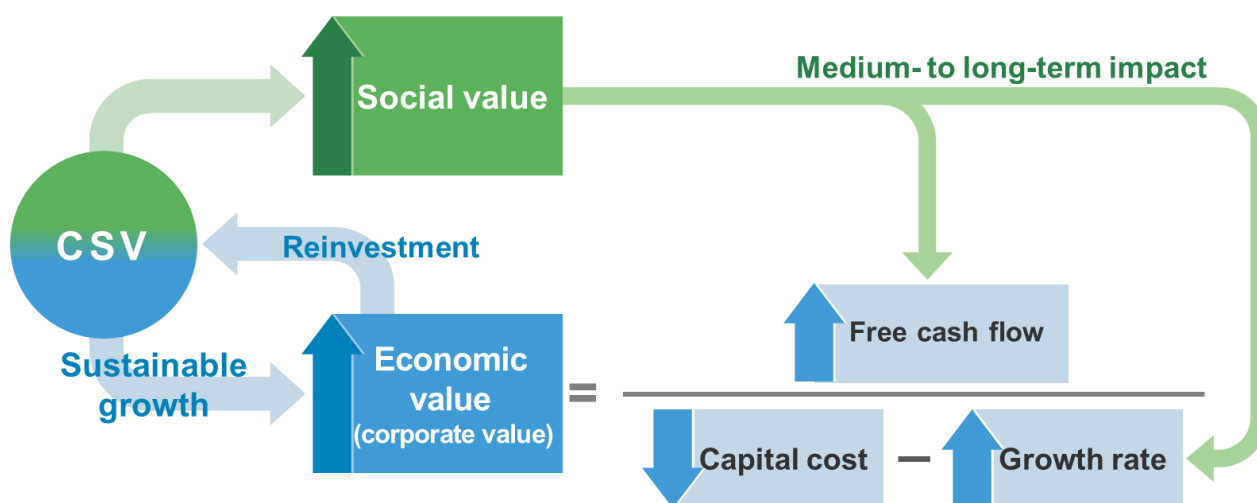
Value Creation Model/CSV Management Concept

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



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

Structure for sustainable value creation based on CSV Management



Business activities (BUSINESS) alongside the solution of social issues, create economic value, increase free cash flows, and reduce business risks, ultimately lowering the cost of capital and improving corporate value.

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

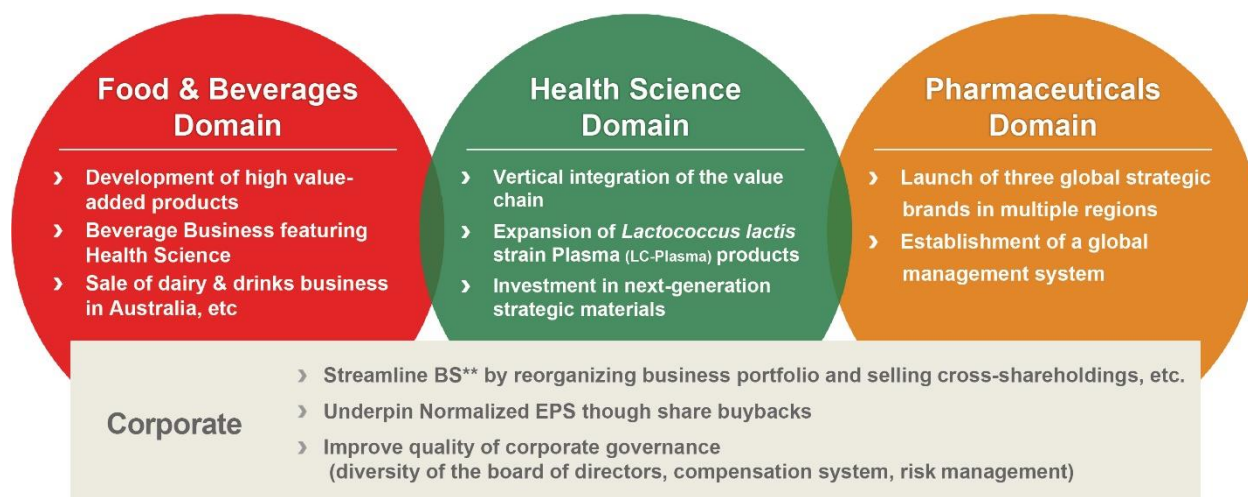
Reference:

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

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

Kirin Group's 2022–2024 Medium-Term Business Plan

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



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

Basic Policy

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

Three Important Commitments

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

KPIs

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

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

[Financial targets*1]

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

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

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

*3 $\text{Normalized EPS} = \text{Normalized profit} / \text{Average number of shares outstanding during period}$

$\text{Normalized profit} = \text{Profit attributable to owners of the Company} \pm \text{Other operating income and expenses and other items after income taxes}$

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
	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	
	Water resources			Water use intensity at manufacturing sites with high water stress Lion (Australia) (Water use intensity = Water usage / Production amount)	Under 3.0 kL/kL (Under 2.4kL/kL in 2025)	Reduction of production cost and production risk due to drought	
Brand	Organizational Capabilities	Corporate Brand Value Scores from nterbrand Japan	Health		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 Culture	Employee Engagement Employee engagement score		Progress of mid-term health science strategy	Achievement level of new value creation in the immunity, brain function, and intestinal environment domains and Achievement level of promotion of collaboration with pharmaceuticals domain	Not disclosed*1	Profit generation by satisfying unmet needs and creating new health value
				Organizational Culture	Employee engagement score	75%	Profit generation through value creation and productivity improvement
			Diversity	Achievement level in "Increasing diversity"*2 1. Ratio of female managers in Japan 2. Ratio of career hires in Japan	1. 15% 2. 30%	Profit generation through value creation and productivity improvement	
			Employees	Occupational health and safety	Lost time injury frequency rate*3	0.95 (0.40 in Japan)	Raise motivation and productivity by improving working environment

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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Financial Policy

We expect cash flows from operating activities of approximately ¥700.0 billion in total during the three-year period of the 2022–2024 MTBP. The top-priority use of funds is to pay dividends. We will maintain the dividend payout ratio on normalized EPS of at least 40% and plan to pay the total amount of dividends of approximately ¥230.0 billion. In the 2019–2021 MTBP, we planned to make capital expenditures of approximately ¥310.0 billion. In the 2022–2024 MTBP, we classified capital expenditures under foundation investment and growth investment and has increased the total amount of capital expenditures to approximately ¥400.0 billion. In addition to usual capital investments, we will secure an investment framework for new growth in the three domains and put more money into the framework to help improve our corporate value.

We are also exploring M&A investment opportunities, aiming to expand our business in addition to our organic growth. Particularly in the Health Science domain, where we aim to expand, we have been examining broad opportunities available in Japan and abroad. We will procure funds for M&A investments by reducing the size of our balance sheet and selling non-core businesses through portfolio management.

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

In addition to the cash flow plan, we also emphasize balance sheet management in the 2022–2024 MTBP. We seek to optimize working capital by centralizing cash held by the Group companies in Japan and abroad on the global cash management system that we introduced in 2021 and to improve the cash conversion cycle (CCC) through streamlining SCM*⁴. Through these efforts, we will generate cash of approximately ¥100.0 billion during the three-year period of the 2022–2024 MTBP.

In managing the business portfolio, we will consider selling some businesses that the Board deems non-core businesses after continuous discussions. We will put a priority on diverting the funds generated through the balance sheet management and portfolio management to M&A investments in order to acquire future growth drivers. Meanwhile, we will flexibly decide on additional shareholder returns centered on the acquisition of treasury shares while considering investment opportunities and the balance of cash inflows and outflows.

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

Non-financial Policy

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

● Approaches to and initiatives for sustainability

Seeing issues related to sustainability as its important management issues that could reduce risks as well as provide earnings opportunities, Kirin Holdings has aimed to both improve corporate value over the medium to long term and solve sustainability issues through proactive and autonomous efforts toward realizing CSV management. The Company has strengthened its efforts to address these issues by classifying its approaches to overall sustainability issues and specific themes into the following categories: Governance, Strategy, Risk management, and Metrics and targets.

(1) Overall sustainability issues

Category	Description																				
Governance	<p>At Kirin Holdings, the Group Executive Committee and the Board deliberate and make resolutions on significant matters concerning sustainability. In addition, the Group CSV Committee, chaired by the President & CEO of Kirin Holdings, meets three times a year and discusses the formulation of CSV policies, strategies, and action plans, and monitors the implementation of these plans in order to actively and voluntarily promote CSV management. The results of such discussion and monitoring are reported to the Board and the Group Executive Committee.</p> <p>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)</p> <p>Under the Group CSV Committee, there are three Group-wide meeting bodies, namely the Group Environment Committee chaired by the Officer in charge of CSV strategy, the Group Human Rights Meeting and the Group Health and Safety Meeting chaired by the Officer in charge of Personnel & General Affairs Strategy. These committees promote responses to individual issues related to sustainability. (Figure 2)</p> <p>(Figure 1)</p> <p>(Figure 2)</p> <table><thead><tr><th>Chairperson</th><th>Members</th><th>Main proceedings</th><th>Frequency</th></tr></thead><tbody><tr><td>President & CEO, Kirin Holdings</td><td><ul style="list-style-type: none">Vice President and Senior Executive Officer of Kirin HoldingsPresident of major domestic and overseas operating companies</td><td><ul style="list-style-type: none">Discussing the Group's CSV policy, strategy, and action planMonitoring the implementation status of CSV-related initiatives at Group companiesReport from meetings of Group CSV Committee umbrella</td><td>Three times a year (Of which, 1 time held as Group ESG Meeting)</td></tr><tr><td>Senior Executive Officer in charge of CSV strategy</td><td><ul style="list-style-type: none">Senior Executive Officer in charge of Supply Chain ManagementGeneral Manager of CSV Strategy DepartmentGeneral Manager of Corporate Strategy DepartmentGeneral Manager of Finance DepartmentGeneral Manager of Procurement DepartmentGeneral Manager of Corporate Communications Department, Deputy General Manager of IR SectionGeneral Manager of R&D DivisionGeneral Manager of Production Division of Kirin Brewery</td><td><ul style="list-style-type: none">Monitoring of progress and discussing policies, strategies and plans for various roadmap for the realization of Kirin Group Environmental Vision 2050</td><td>Twice a year</td></tr><tr><td>Director, Senior Executive Officer in charge of human resources and general affairs strategy</td><td><ul style="list-style-type: none">Senior Executive Vice President in charge of Risk ManagementSenior Executive Officer in charge of CSV strategySenior Executive Officer in charge of Supply Chain ManagementGeneral Manager of Procurement DepartmentGeneral Manager of Corporate Strategy Department</td><td><ul style="list-style-type: none">Monitoring the progress of the roadmap on human rights and discussing policies, strategies and plans</td><td>Twice a year</td></tr><tr><td></td><td><ul style="list-style-type: none">General Manager, Human Resources Division of each operating companyExecutive director of each health insurance association<p>Attendees according to the theme: Persons in charge of promoting occupational safety and health at each company</p></td><td><ul style="list-style-type: none">Monitoring the progress of indicators related to health and safety and discussing policies, strategies and plans</td><td>Twice a year</td></tr></tbody></table>	Chairperson	Members	Main proceedings	Frequency	President & CEO, Kirin Holdings	<ul style="list-style-type: none">Vice President and Senior Executive Officer of Kirin HoldingsPresident of major domestic and overseas operating companies	<ul style="list-style-type: none">Discussing the Group's CSV policy, strategy, and action planMonitoring the implementation status of CSV-related initiatives at Group companiesReport from meetings of Group CSV Committee umbrella	Three times a year (Of which, 1 time held as Group ESG Meeting)	Senior Executive Officer in charge of CSV strategy	<ul style="list-style-type: none">Senior Executive Officer in charge of Supply Chain ManagementGeneral Manager of CSV Strategy DepartmentGeneral Manager of Corporate Strategy DepartmentGeneral Manager of Finance DepartmentGeneral Manager of Procurement DepartmentGeneral Manager of Corporate Communications Department, Deputy General Manager of IR SectionGeneral Manager of R&D DivisionGeneral Manager of Production Division of Kirin Brewery	<ul style="list-style-type: none">Monitoring of progress and discussing policies, strategies and plans for various roadmap for the realization of Kirin Group Environmental Vision 2050	Twice a year	Director, Senior Executive Officer in charge of human resources and general affairs strategy	<ul style="list-style-type: none">Senior Executive Vice President in charge of Risk ManagementSenior Executive Officer in charge of CSV strategySenior Executive Officer in charge of Supply Chain ManagementGeneral Manager of Procurement DepartmentGeneral Manager of Corporate Strategy Department	<ul style="list-style-type: none">Monitoring the progress of the roadmap on human rights and discussing policies, strategies and plans	Twice a year		<ul style="list-style-type: none">General Manager, Human Resources Division of each operating companyExecutive director of each health insurance association <p>Attendees according to the theme: Persons in charge of promoting occupational safety and health at each company</p>	<ul style="list-style-type: none">Monitoring the progress of indicators related to health and safety and discussing policies, strategies and plans	Twice a year
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Strategy	<p>Kirin Holdings has aimed to create economic value as well as solve social issues by identifying management issues through the Group Materiality Matrix (GMM) and promoting CSV management toward achieving the CSV Purpose based on the CSV Governance. The details are as stated in “(1) BASIC MANAGEMENT POLICY.”</p> <p>In line with our approaches to and initiatives for overall sustainability issues, we assess risks and opportunities for</p>																				

	society and companies in the context of the environment, business and human rights, and health and safety at meeting bodies dedicated to specific issues, and then discuss policies, strategies, and plans. We have proactively disclosed the information to a broad range of stakeholders.
Risk management	<p>Kirin Holdings deliberates on and monitors its business risk factors, including sustainability issues, at the Group Risk and Compliance Committee, which meets every quarter. The details of the risk management are as stated in “2. BUSINESS RISK FACTORS.”</p> <p>As for other specific themes, we have adopted and implemented a new approach to identify and examine significant risks through the analysis and assessment of scenarios developed for each risk factor.</p> <p>In particular, the details of risk management related to climate change are as stated in [Responses to climate change] under (2) Specific themes.</p>
Metrics and targets	<p>Key issues related to sustainability have been incorporated into the Group’s business plans in the form of non-financial indicators. The achievement status of these indicators is reflected in the evaluation of Directors (excluding Non-executive Directors) and Executive Officers. The details are as stated in “(1) BASIC MANAGEMENT POLICY (Non-financial targets).</p> <p>In addition, Kirin Holdings and its major subsidiaries have set CSV commitments in the form of action plans for issues that should be tackled in order to achieve the CSV Purpose.</p> <p>CSV Commitments</p> <p>https://www.kirinholdings.com/en/impact/csv_management/commitment/</p>

(2) Specific themes

In view of (1) above, Kirin Holdings addresses a variety of sustainability issues, such as climate change, natural capital, and human capital; assesses related social and business risks and opportunities as well as the resilience of its strategies; and proactively discloses relevant information to a broad range of stakeholders.

[Responses to climate change]

Climate change is one of the global challenges and it is also a significant issue for the Kirin Group. We use agricultural products and water as raw materials and benefits from the blessings of nature in our business activities. Recognizing this, and in light of the recommendations issued in 2017 by the Task Force on Climate-related Financial Disclosures (TCFD), the Kirin Group commenced a scenario analysis and disclosed the results of the analysis in 2018 ahead of industry peers and became the first Japanese food company to declare its support for the TCFD recommendations. The Kirin Group will strengthen its resilience and lead the way to a decarbonized society by taking a holistic approach and incorporating the impact of climate change on natural capital into the analysis.

Governance	Description	<p>The Board supervises the execution of operations addressing environmental issues, such as climate change, natural capital, and a recycling-oriented society. The Board also deliberates and makes resolutions on basic policies and significant matters related to these and other environmental issues. Specifically, the Board at least once a year receives reports on and reviews strategies, action plans, and the status of progress of environmental management. These involve business risks and growth opportunities associated with environmental issues, including significant risks identified in the course of risk management, and the results of scenario analyses.</p> <p><input type="checkbox"/> Meanwhile, the Group Executive Committee deliberates and makes resolutions on significant non-financial targets.</p> <p><input type="checkbox"/> The Group CSV Committee, which meets three times a year, is an advisory body to the President & CEO, which is chaired by President & CEO of Kirin Holdings and whose members consist of Presidents and CEOs of major Group operating companies and Senior Officers of Kirin Holdings. The Committee discusses environmental issues across the Kirin Group and submits any decisions it makes to the Board.</p> <p><input type="checkbox"/> Non-financial environment-related targets (GHG emissions reduction rate, ratio of recycled resin used for PET bottles, per-unit water usage) are reflected in the performance evaluation indicators used to determine the remuneration for Senior Executive Officers. These targets constitute part of the CSV commitment, one of the non-financial KPIs for Group companies, and are reflected in their business plans and the performance evaluations of their top management.</p>
	Progress	<p><input type="checkbox"/> The frequency of the Group CSV Committee meetings was raised (from one to three times a year)</p> <p><input type="checkbox"/> The Group Environmental Meeting (twice a year) was newly established under the Group CSV Committee.</p>

Strategy	Description	<div><div><input type="checkbox"/> We raised our science-based target (SBT) from 2°C to 1.5°C, which was set toward achieving net zero in 2050 as part of Kirin Holding’s Environmental Vision; the Vision was revised in 2020 with the results of TCFD scenario analyses as inputs. We have also joined RE100 (2020) and have updated our interim targets to reflect these developments.</div><div><input type="checkbox"/> To forge ahead with our holistic approach to environmental issues, such as climate change, natural capital, and a recycling-oriented society, and to contribute to the formulation of rules, we have joined a corporate engagement program of the Science Based Targets Network (SBTN) for Nature, a pilot test of the Taskforce on Nature-related Financial Disclosures (TNFD), and Alliance To End Plastic Waste.</div></div>																	
	Progress	<div><div><input type="checkbox"/> We have gained a more accurate understanding of the financial impact through a range of efforts, such as analyzing and assessing asset risks and opportunities in the course of scenario analyses conducted in full compliance with the new TCFD guidance.*¹</div><div><input type="checkbox"/> As mitigation measures, Kirin Holdings has formulated a roadmap to reducing GHG emissions until 2030 (in 2022), has finalized the reduction targets and paths for Group companies, and has started to work toward these targets. We have installed PPA-based (except for Yokohama Plant) large-scale solar power generation systems in all plants of Kirin Brewery (in 2021), Kyowa Kirin’s Ube Plant, and Mercian’s Fujisawa Plant (in 2023). We have also raised the percentage of renewable energy in the entire energy procured to 100% at Kirin Brewery’s Nagoya Plant (2020), Sendai Plant (2022), Okayama Plant, and Fukuoka Plant, Kyowa Kirin’s Takasaki Plant, all production sites of Lion in Australia and New Zealand (2023), and all wineries of Chateau Mercian (2022). As a result, Kirin Holdings received SBT’s net zero certification for the first time as a food company in the world (2022).</div><div><input type="checkbox"/> As adaptation measures, we have established a mass propagation technology for hop seedlings. We have also commenced a survey on highly risky business sites, based on the results of natural disaster and flood simulations, to determine whether we need to take out insurance on these sites. In Australia, we launched XXXX Zero, the first carbon-neutral alcohol-free beer.</div><div><input type="checkbox"/> To tap business opportunities, we expanded our product line-up in collaboration with external companies we have partnered in the field of food with claims for immune function. We have also continued research on ways to protect against infectious diseases, such as dengue fever and COVID19.</div></div>																	
Risk management	Description	<div><div><input type="checkbox"/> Risks including those related to climate change are managed by the Group Risk and Compliance Committee, which meets every quarter and is chaired by the Senior Executive Officer in charge of Risk Management.</div><div><input type="checkbox"/> As for risks that potentially have an extremely significant impact on business, irrespective of the likelihood of such risks actually taking place, we have implemented a new approach to identify and review material risks by developing, analyzing, and assessing scenarios.</div></div>																	
	Progress	<div><div><input type="checkbox"/> We reviewed our approach to each critical event, and have transitioned to the all-hazard approach to business continuity planning whereby we work out countermeasures with a focus on the loss of management resources (since 2021).</div></div>																	
Metrics and targets	Mitigation measures	<table><tr><td>GHG emissions reduction targets (relative values)</td><td>Targets</td><td>Results*²</td></tr><tr><td>GHG emissions across value chain</td><td>Net zero (2050)</td><td>4,411 thousand tons CO₂e</td></tr><tr><td>Scope 1+2</td><td>50% reduction (in 2030 from 2019)</td><td>13% reduction (from 2019) 722 thousand tons CO₂e</td></tr><tr><td>Scope 3*³</td><td>30% reduction (in 2030 from 2019)</td><td>12% reduction (from 2019) 3,689 thousand tons CO₂e</td></tr><tr><td>Percentage of renewable energy in total energy consumption</td><td>100% (2040)</td><td>17%</td></tr></table>			GHG emissions reduction targets (relative values)	Targets	Results* ²	GHG emissions across value chain	Net zero (2050)	4,411 thousand tons CO ₂ e	Scope 1+2	50% reduction (in 2030 from 2019)	13% reduction (from 2019) 722 thousand tons CO ₂ e	Scope 3* ³	30% reduction (in 2030 from 2019)	12% reduction (from 2019) 3,689 thousand tons CO ₂ e	Percentage of renewable energy in total energy consumption	100% (2040)	17%
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Adaptation measures	Related indicators	Targets	Results ^{*2}
	Number of small farms that received training for the acquisition of certification	10,000 farms (2025)	2,120 farms
	Ratio of certified palm oil in Japan	Maintain 100%	100%
	Lion water efficiency	2.4 kl/kl (2025)	3.8 kl/kl
	Kyowa Hakko Bio water usage	32% reduction (in 2030 from 2015)	52% reduction from 2015
	Ratio of FSC-certified paper used in the Japan Non-Alcoholic Beverages Businesses	Maintain 100%	100%
	Proportion of recycled materials used in PET bottles	50% (2027)	4.9%

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

*2 Results as of the end of 2021

*3 IDEA Ver. 2.3 and Ver. 3.1 of the National Institute of Advanced Industrial Science and Technology used for Scope3 calculations in each fiscal year

Business impact assessment of risks and opportunities of climate change, and response strategies

Through the scenario analyses since 2017, we have confirmed that biological and water resources, which are raw materials for our products, are impacted most by climate change. Given this, we have continued to analyze and assess these resources as the areas of focus. In 2022, we disclosed the exposure estimate obtained through natural disaster model-based flood simulations and assessed risks associated with the transport of raw materials.

Analysis of financial impact

	Risks associated with climate change	Financial impact	Response
Physical risk	Decline in yields of agricultural products	2°C scenario: Approx. 0.9 billion yen to 2.5 billion yen 4°C scenario: Approx. 2.5 billion yen to 9.7 billion yen (2050)*4	<ul style="list-style-type: none"> • Brewing technology that does not rely on barley • Mass plant propagation technologies • Support for farms to acquire certification for sustainable agriculture
	Shutdowns due to floods	1.0 billion yen (once-in-200-year disaster, a total of 20 locations in Japan)	<ul style="list-style-type: none"> • Sharing of knowledge on floods • Facilities to protect against floods
	Shutdowns due to droughts	30 million yen to 0.6 billion yen	<ul style="list-style-type: none"> • Sharing of knowledge on drought water level • Development and deployment of water conservation techniques
Transition risk	Financial impact of carbon pricing on energy	2°C scenario: 1 billion yen 4°C scenario: 6.9 billion yen (2030)*5	<ul style="list-style-type: none"> • Realization of GHG emissions reduction • Profit and loss neutral energy conversion
	Financial impact on agricultural products	2°C scenario: Approx. 0.7 billion yen to 3.0 billion yen 4°C scenario: Approx. 1.6 billion yen to 5.7 billion yen (2050)*6	<ul style="list-style-type: none"> • Mass plant propagation technologies • Support for farms to acquire certification for sustainable agriculture
Business opportunities	Maintenance of immune functions for healthy people	Immunity & health supplement markets: 28,961.4 million USD (2030)	• Contributions in the Health Science domain
	Prevention of heatstroke	Drinks for heatstroke market: 94 billion yen to 188 billion yen (2100, 4°C scenario)	• Contributions to preventing heatstroke with the delivery of drinks

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

*5 In cases where GHG emissions were not reduced

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

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

	Items subject to analysis	Impact
Impact from acquisition, divestment, or policy (GHG emissions reduction required for achieving SBT 1.5°C target)	Before the divestment of Lion-Dairy & Drinks, and our business in Myanmar	515 thousand tons CO ₂ e
	After the divestment*7	463 thousand tons CO ₂ e
Assets exposed to risk	Exposure to -200-year disasters across 20 locations in Japan*8	Approx. 1.0 billion yen
	Residual value of related facilities*9	Approx. 1.1 billion yen

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

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

*9 We have concluded that it is unlikely that we will need to replace these facilities before their useful life due primarily to changes in laws and regulations and social situations in the face of climate change. For reference, the total residual value of boilers held by Kirin Brewery, Kirin Beverage, and Mercian, and trucks held by Group logistics companies is presented

Transition plan

The Kirin Group formulated a roadmap to mitigating climate change, and has implemented the roadmap since January 2022 through deliberation and resolution at the Group Executive Committee.

Scope 1 and Scope 2 emissions reduction	<div><div><div><div><div><div></div></div></div><div>Promotion of energy conservation, expansion of renewable energy, and energy transition are three major themes.</div></div><div><div><div></div></div><div>Until 2030, we will mainly focus on driving energy conservation and expanding the percentage of renewable energy.</div></div><div><div><div></div></div><div>In 2030 and later, we expect to convert the combustion fuels used in steam brewing and manufacturing processes from fossil fuels to hydrogen and other fuels.</div></div><div><div><div></div></div><div>We will prioritize “additionality” whereby we create and increase new renewable energy power sources in the world and “ethicality” whereby we use energy from the perspective of the environmental impact and human rights.</div></div></div></div> <div>Actual and planned GHG emissions reduction by operating company*10 (Unit: thousand tCO₂e)</div> <table><tr><th></th><th>2019</th><th>2021</th><th>2024</th><th>2030</th></tr><tr><td>Kirin Brewery</td><td>199</td><td>184</td><td>140</td><td>90</td></tr><tr><td>Kirin Beverage</td><td>45</td><td>40</td><td>37</td><td>20</td></tr><tr><td>Mercian</td><td>60</td><td>59</td><td>45</td><td>27</td></tr><tr><td>Lion</td><td>114</td><td>84</td><td>74</td><td>51</td></tr><tr><td>Kyowa Kirin</td><td>56</td><td>41</td><td>27</td><td>25</td></tr><tr><td>Kyowa Hakko Bio</td><td>243</td><td>201</td><td>165</td><td>109</td></tr></table> <div><div><div></div><div>*10 Actual reduction for 2019-2021, and estimated reduction for 2024 and later as of the date the roadmap was formulated in 2022, which are subject to change as appropriate in the future.</div></div></div>		2019	2021	2024	2030	Kirin Brewery	199	184	140	90	Kirin Beverage	45	40	37	20	Mercian	60	59	45	27	Lion	114	84	74	51	Kyowa Kirin	56	41	27	25	Kyowa Hakko Bio	243	201	165	109
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Scope 3 emissions reduction	<div><div><div><div><div></div></div></div><div>Of the categories defined in the GHG Protocol, we have identified the following categories as the areas of focus: Category 1 (manufacture of ingredients and materials) making up the largest proportion of the total emissions at approximately 60%, Category 4 (transport) making up the second largest proportion, and Category 9 (distribution).</div></div><div><div><div></div></div><div>In “Encouragement of reduction at business partners,” based on the emissions reduction plan and the status of progress in both quantitative and qualitative terms at each company, obtained through questionnaires to major suppliers, we plan to reduce emissions with an emphasis on engagement.</div></div><div><div><div></div></div><div>In “Reduction of our own independent emissions,” we make containers and packaging lighter and raise the percentage of recycled resin in PET bottles by leveraging the competence of our own research institute to develop containers and packaging in-house.</div></div></div>																																			

Investment plan

Until 2030, our basic principle for environmental investment is profit and loss neutral. Specifically, we will offset increases in depreciation from investments and the cost of procuring renewable energy with cost benefits derived from energy saving.

We use Net Present Value (NPV) as an indicator for environmental investments aimed mainly at reducing GHG emissions and have incorporated Internal Carbon Pricing (ICP: \$63/tCO₂e) into our framework for making investment decisions. We intend to accelerate the reduction of GHG emissions by reflecting ICP in the roadmap. In 2020, we issued green bonds (totaling 10 billion yen) to finance the procurement of recycled PET resin and the introduction of heat pump systems at plants. Then, in January 2023, we financed the projects related to energy saving and renewable energy, which we are promoting as part of initiatives to reduce Scope 1 and 2 GHG emissions, with a transition-linked loan (totaling 50 billion yen) for the first time as a food company in Japan. The loan is subject to the FY2022 subsidy for global warming countermeasures promotion project and the performance-linked interest subsidies program based on the Industrial Competitiveness Enhancement Act (financial support for promoting the transition towards achieving a carbon-neutral economy).

Planned investments as part of the roadmap for addressing climate change^{*11}

(Unit: billion yen)

	2019 – 2021 MTBP	2022 – 2024 MTBP	2025 – 2027 MTBP	2028 – 2030 MTBP
Investment in/measures for energy saving	1.5	7.4	10.4	4.8
Increased use of renewable energy ^{*12}	1.5	15.0	23.7	36.2
Energy conversion	0	0	0.9	1.2
	3.0	22.4	35.0	42.2

^{*11} Figures for 2019–2021 MTBP are actual results, while figures for 2022–2030 are estimates as of the origination of the transition-linked loan and thus are subject to change in the future.

^{*12} Increased use of renewable energy includes the amounts of all investments related to the procurement of electricity from renewable energy sources.

[Approach to natural capital]

In 2010, the year of the tenth meeting of the Conference of the Parties to the Convention on Biological Diversity held in Nagoya, we commenced a risk assessment of biological resources and acknowledged the dependency of our operations on natural capital of specific regions. Recognizing this, we have continued to support the acquisition of the Rainforest Alliance certifications by tea farms in Sri Lanka, the main producing area of tea for *Kirin Gogo-no-Kocha*. As for water resources, we are acting on our early recognition that water stress and risk vary widely by country and region given our experience conducting business in Japan where water resources are relatively abundant and in Australia where water stress is intense. Our non-financial information disclosure related to natural capital and our efforts toward achieving science-based targets are as follows:

Information disclosure	<input type="checkbox"/> We participated in the TNFD Forum for the first time as a Japanese food & beverage and pharmaceutical company (December 2021); we also participated in its meeting in Japan <input type="checkbox"/> We complied with the Locate-Evaluate-Assess-Prepare (LEAP) approach proposed in the Beta 0.1v of the TNFD Framework and disclosed related information in the Kirin Group's Environmental Report published in July 2022 ahead of other companies in the world. <input type="checkbox"/> We contributed to rule-making by participating in a TNFD's pilot program. <input type="checkbox"/> In the 30 by 30 Alliance for Biodiversity, Mariko Vineyard was selected as equivalent to "Shizen kyosei site" which means the OECMs in domestic rule. The vineyard, which grows grapes for Japanese wines, was introduced as one of nature positive examples at the 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15).
Target setting	<input type="checkbox"/> We participated in the Corporate Engagement Program hosted by Science Based Target Network for the first time as a Japanese food & beverages and pharmaceutical company. <input type="checkbox"/> We prioritized our production sites based on the proposed methodology presented by the SBTN and disclosed the information under the AR3T Framework on a trial basis in the Kirin Group's Environmental Report published in July 2022.

[Approach to human capital]

The environment surrounding human capital strategies has been changing dramatically both inside and outside the Group. The Kirin Group also has reached a turning point in terms of its human capital strategies. The labor market environment, including workstyles, has changed dramatically due to changes in the living environment and diversification of individual values. Further, at the Kirin Group, the human capital required for executing the management strategy is also changing with the transformation of its business portfolio.

The Kirin Group will achieve KV2027 and its sustainable growth and value enhancement by repositioning human resources as a source of value creation and competitive advantage and getting the maximum out of its personnel.

Category	Description		
Strategy	<p>1. The aim of the Kirin Group's human capital strategy</p> <p>The Kirin Group aims to grow into a company that is better positioned to develop and thrive on human capital by seeing human capital as a source of value creation and competitive advantage and by investing in human capital. Further, the Group will put its management strategy into action and achieve sustainable growth and corporate value enhancement by increasing the value of human capital, and as a result, improving its organizational capabilities and strengthening its business.</p> <p>2. Challenges associated with the human capital strategy from the perspective of the Group's management issues</p> <ol style="list-style-type: none"> 1) Strengthen organizational capabilities in line with the business portfolio transformation (e.g. health science and new businesses) 2) Manage human capital with a focus on expertise and diversity, which is required especially in times of uncertainty and in view of the future 3) Secure human resources who are capable of executing and achieving highly sophisticated strategies = Create a culture that supports and strengthens human resources who can accomplish and take on new challenges 4) Create job satisfaction in line with changes in the labor market and individual values 5) Evolve strategies through stakeholder engagement, with the growing attention on human capital as a driver <p>3. Overall picture of the human capital strategy</p> <p>Expertise and diversity are key to executing the human capital strategy. The Kirin Group operates business globally in a range of domains from food & beverages, pharmaceuticals to health science. Such a unique portfolio has better positioned the Kirin Group to experience a variety of businesses with its professional expertise at the core. The Kirin Group is also well-positioned to add diverse viewpoints and values by communicating and working with people in various business domains.</p> <p>As a short-term strategy, we aim to strengthen its organizational capabilities and improve its ability to execute strategies in line with the business portfolio transformation. As a medium to long-term strategy, we aim to strengthen human capital and nurture a corporate culture that facilitates the development of human capital who live up to our expectations in terms of both expertise and diversity, thereby continuing to improve our corporate value into the future.</p> <table border="1"> <tr> <td>Strengthening human capital</td><td> <p>We will pursue the type of human capital management that facilitates the development of human capital who satisfy our requirements in terms of both expertise and diversity and excel in making decisions, adapting to changes, and creating ideas.</p> <p><Specific initiatives></p> <ul style="list-style-type: none"> • We will transition to function-centered talent management so as to develop specialized talent conducive to executing the Group's strategies (recruitment, development, and assignment) • We will identify human resources who have been successful on a functional basis and build a candidate pool of top management members including young employees. Top management and the Human Resources Department will work together to foster such candidates based on the criteria required. • To promote growth with self-reliant career development as a driver and improve </td></tr> </table>	Strengthening human capital	<p>We will pursue the type of human capital management that facilitates the development of human capital who satisfy our requirements in terms of both expertise and diversity and excel in making decisions, adapting to changes, and creating ideas.</p> <p><Specific initiatives></p> <ul style="list-style-type: none"> • We will transition to function-centered talent management so as to develop specialized talent conducive to executing the Group's strategies (recruitment, development, and assignment) • We will identify human resources who have been successful on a functional basis and build a candidate pool of top management members including young employees. Top management and the Human Resources Department will work together to foster such candidates based on the criteria required. • To promote growth with self-reliant career development as a driver and improve
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		<p>leader support, we will establish an environment that supports employees' growth based on their autonomous career development (by increasing opportunities for employees to apply for new positions offered via an in-house recruitment system, initiatives to enhance the support for fostering leadership candidates, etc.) and accelerate our personnel development cycle which helps employees to produce outcomes and growth through business experience.</p>															
	<p>Fostering of organizational culture</p>	<p>We will foster an environment/culture that helps human resources with diverse values and expertise able to grow by taking on new challenges as well as attracts such human resources.</p> <p><Specific initiatives></p> <ul style="list-style-type: none"> • To shift to an organizational culture that encourages employees to take on new challenges and accomplish their tasks, we will transform into an organization where those in leadership positions fulfill their roles at higher levels (in achieving targets and developing human resources), diverse human resources share their wisdom and take on new challenges towards achieving goals, and the outcomes of such efforts are rewarded appropriately. • To build an environment where diverse human resources transform their differences into strengths and feel easy to take on new challenges, we will make a step forward from "Diversity & Inclusion" to "Diversity, Equity & Inclusion." • With the aim of building an organizational culture where each and every one of our employees can feel they have grown (feeling that they are on a right career path, having a connection to the community, they are contributing to the Company) by working at the Kirin Group, we will intensify our efforts to forge an empathy among our employees to the Group's Corporate Philosophy and Purpose, as well as a sense of attachment and pride in the organization. 															
	<p>4. Basic Principle of Human Capital</p> <p>Our Basic Principle of Human Capital is the foundation for our human capital strategy. To give a concrete shape to our idea that employees and the Company grow together as equal partners, we will provide an environment where each and every employee take on challenges towards creating new value, work with vigor and enthusiasm, and grow through working.</p>																
Metrics and targets	<p>The Kirin Group, in its KV2027, has set Employees (employee engagement, the degree of improvement in diversity, Lost Time Incident Rate) as one of its non-financial metrics, and has also linked it to the Officers' remuneration. We will also endeavor to disclose information related to human capital and to dialogue with stakeholders.</p> <table border="1"> <thead> <tr> <th>Non-financial metric "Employees"</th><th>Targets for 2024</th><th>Results for 2022</th></tr> </thead> <tbody> <tr> <td>Employee engagement</td><td>75%</td><td>70%</td></tr> <tr> <td>Percentage of female managers</td><td>30.0%</td><td>10.6%</td></tr> <tr> <td>Percentage of career hires</td><td>30.0%</td><td>27.3%</td></tr> <tr> <td>Lost Time Incident Rate</td><td>0.95</td><td>0.91</td></tr> </tbody> </table> <p>As of December 31, 2022</p> <p>Notes:</p> <p>1. The percentages of female managers and career hires within the scope of aggregation are all employees of Kirin Holdings including those currently on secondment.</p>		Non-financial metric "Employees"	Targets for 2024	Results for 2022	Employee engagement	75%	70%	Percentage of female managers	30.0%	10.6%	Percentage of career hires	30.0%	27.3%	Lost Time Incident Rate	0.95	0.91
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(3) FUTURE CHALLENGES

While social activities are recovering from the effects of COVID-19, outbreaks of infectious diseases will continue to be unavoidable. In addition, heightened geopolitical risks may cause raw material and fuel prices to soar and other commodity prices to rise, making the business environment increasingly unpredictable. Against this backdrop, the Kirin Group will work to grow in the Pharmaceutical and Health Science domains and to improve profitability in the Food & Beverages domain while facing social issues head-on. The Kirin Group's growth is supported by four organizational capabilities: human resources, ICT, marketing, in addition to technological capabilities based on fermentation and biotechnology. In the area of human capital, which has been attracting increasing attention in recent years, Kirin Holdings will increase the number of highly specialized and diverse human capital and reform the Group's human capital strategy to foster an organizational culture that enables growth through taking on challenges. Under the new strategy, Kirin Holdings will link investment in human capital to increased corporate value.

Kirin Holdings will also strengthen human rights initiatives in its global supply chain. It will reduce human rights risks by conducting human rights due diligence on tea plantations in Sri Lanka and other raw material suppliers, and by utilizing the grievance mechanism of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER). In addition, Kirin Holdings will promote initiatives aimed at creating a positive impact on a global level to address environmental issues that must be addressed on a global scale. Through these efforts, Kirin Holdings aims to achieve its financial targets of an average annual growth rate of at least 11% in Normalized EPS by 2024*¹ and an ROIC of 10% by 2024, as well as its non-financial targets for the environment, health, and employees.

*¹ Standard is FY2021.

1) Food & Beverages domain

In the Food & Beverages domain, Kirin Holdings will continue to build a strong brand system, nurture growth engines, and improve profitability. Kirin Brewery will work to "make beer more appealing" in response to rising demand for beer due to the upcoming liquor tax revision in October. Focusing on the renewal of *KIRIN ICHIBAN*, we will strengthen our mainstay brands such as *KIRIN ICHIBAN Zero Sugar* and the *Kirin Hyoketsu*® RTD. In craft beer, which is positioned as a growth engine, Kirin Brewery will focus on the *SPRING VALLEY* brand, strengthen partnerships with other craft breweries, and expand the *Tap Marché* and *Kirin Home Tap* services.

Kirin Beverage has positioned "Health with good taste for everyone's daily life" as its pledge to its consumers in response to change in the market environment and customer's health consciousness. Kirin Beverage will focus on expanding the immune care market by strengthening its lineup of LC-Plasma-containing beverages, centered on the newly launched *Kirin Oishii Immune Care*. In its mainstay brands, Kirin Beverage will work to enhance the intrinsic value of black tea through the *Kirin Gogo-no-Kocha* mainstay brand and will also work on evolving taste and reducing environmental impact with *Kirin Nama-cha*.

Lion will strengthen marketing activities in priority brands such as XXXX ("four-ex"). In the well-performing craft beer area, Lion will focus on strengthening its operating base in Australia and the United States. By transforming the business operation model, Lion will also pursue sustainable growth through cost reduction and strategy realization.

Mercian will focus on *Mercian Wines* and *Château Mercian* to strengthen profitability.

Coke Northeast will work to build a continuous, stable, and highly profitable structure.

2) Pharmaceuticals domain

Kyowa Kirin aims to maximize the value of its global strategic products, Crysvita and Poteligeo. In North America in particular, Kyowa Kirin will switch to in-house sales of Crysvita, aiming for further growth.

The pharmaceutical industry is experiencing severe changes in the business environment, such as reduced spending on pharmaceuticals due to measures to control drug costs and promote the use of generics, as well as increased costs in new drug development. At the same time, there are moves to encourage new drug discovery methods that will enable innovative treatments. We will steadily conduct clinical trials for KHK4083 and KHK4951 (generic name: Tivozanib)*², which are being co-developed with Amgen, along with promoting R&D to further enhance the product pipeline.

*² A treatment for exudative age-related macular degeneration (a disease that causes abnormal angiogenesis in the area called the macula, where photoreceptor cells are densely located, resulting in rapid vision loss).

3) Health Science domain

While the effects of COVID-19 linger, people's interest in health and wellness is growing year by year, and in 2023, Kirin Holdings will continue its efforts to raise awareness of “immune care,” which enhances people's innate immune ability.

In addition to Kirin Holdings' own products, it will work with external partners to develop a wide range of functional food products, such as beverages, candies, and supplements containing LC-Plasma, to expand the environment in which consumers can easily and habitually take care of their immune systems. Kirin Holdings will utilize the knowledge gained from selling its own products to develop a proposal-based B-to-B business that is not limited to sales of raw material. Overseas, Kirin Holdings will accelerate expansion to Southeast Asia, the U.S., Europe, and other regions to convey the importance of “immune care” to people around the world.

Kyowa Hakko Bio will strengthen sales of Citicoline in the United States, and will aim to roll out HMOs (human milk oligosaccharides), a nutritional ingredient unique to breast milk, in Southeast Asia.

Kirin Holdings will accelerate joint research and new product development with FANCL by leveraging the strengths of both companies. In addition to expanding synergies by broadening the scope of joint research, Kirin Beverage will utilize FANCL's *Calolimit*® brand to develop high value-added products. In addition, by sharing FANCL's expertise in e-commerce sales, Kirin Holdings will enhance its ability to respond to and make proposals to consumers.

The Kirin Group will promote CSV management that creates social and economic value in the areas of Food & Beverages, Pharmaceuticals, and Health Science domains, centered on its strengths in fermentation and biotechnology. The foundation of the business portfolio aimed for in KV2027 is being built, and Kirin Holdings aims to achieve sustainable growth and increase corporate value by accelerating growth and increasing the degree of strategy execution in each domain.

Kirin Holdings sincerely thanks the Kirin Group's shareholders for their continued understanding and support.

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. The Group's fundamental risk management policy is to mitigate risk, prevent risk from being actualized, and keep risk within a manageable level so that we can earn trust of our stakeholders in a sustainable manner. By treating strategies and risks as two sides of the same coin, we assess and implement appropriate risk control measures by analyzing risks in the phases of selecting and implementing strategies, as well as risks that could develop into crises, from various perspectives. Risk information is disclosed in a timely and appropriate manner on our corporate website and through other means.

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

The Group has established the Group Risk and Compliance Committee consisting of Kirin Holding's Senior Executive Officers or higher and chaired by the Executive Officer in Charge of Risk. The committee oversees the Group's risk management activities, including collecting risk information, 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 the 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 the Group's major risks. (Figure 1)

To identify the Group's major risks, each Group company examines and identifies risks related to its strategy and business execution and risks that could develop into a serious crisis based on the Kirin Group's risk management policy set for each fiscal year. Kirin Holdings aggregates these business-specific risks and investigates common risks across the Group. The Group Risk and Compliance Committee assesses the potential quantitative and qualitative impacts of major risks, such as economic losses, business continuity, and damage to reputation, from the perspective of overall Group management and classifies the risks in terms of priority, taking into account the likelihood of occurrence. The Board deliberates the assessments and determines the major risks for the Group. (Figure 2)

The Group's major risks are managed centrally on a risk map based on their degree of impact and likelihood of occurrence. With regard to the most major risks, the Board also takes stock of changes in risk conditions and reviews measures against these risks. Kirin Holdings and the Group companies frame and implement measures tailored to each risk. Meanwhile, Kirin Holdings provides necessary support and instructions to Group companies, and Group companies report and consult with Kirin Holdings, thereby promoting and operating risk management in cooperation with each other. (Figures 3 and 4) Each Group company and Kirin Holdings monitor the status of both strategies and risks on a quarterly basis to appropriately manage and control strategic risks. At the same time, we have put in place various risk management systems that 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

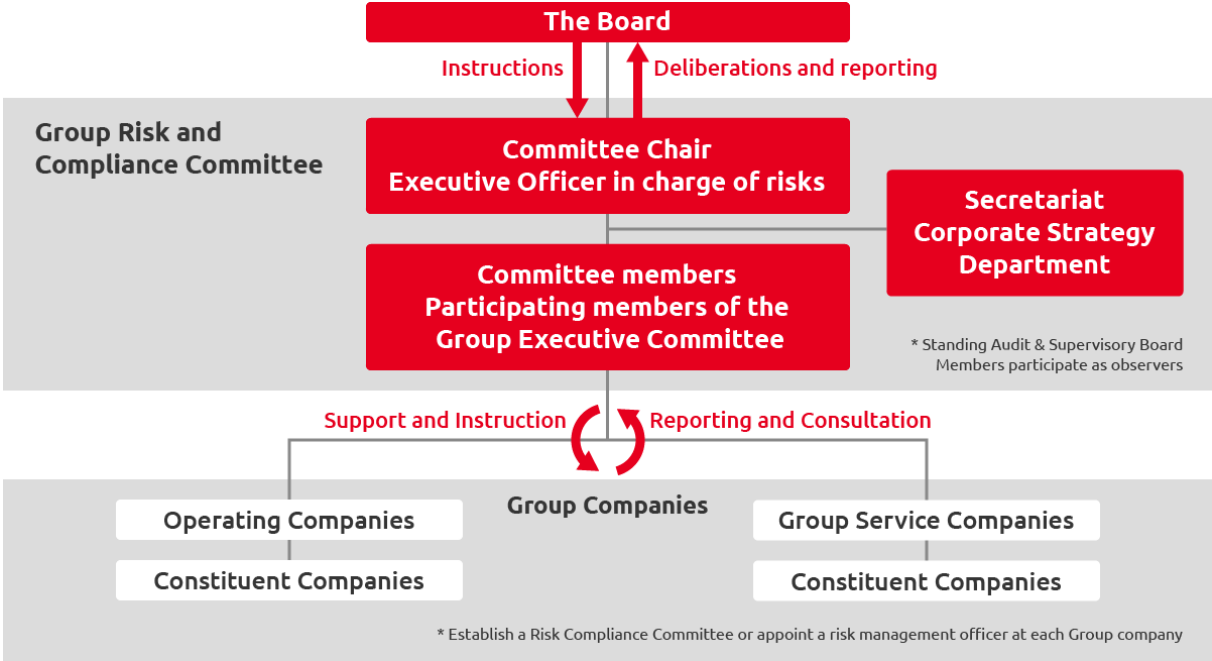


Figure 2

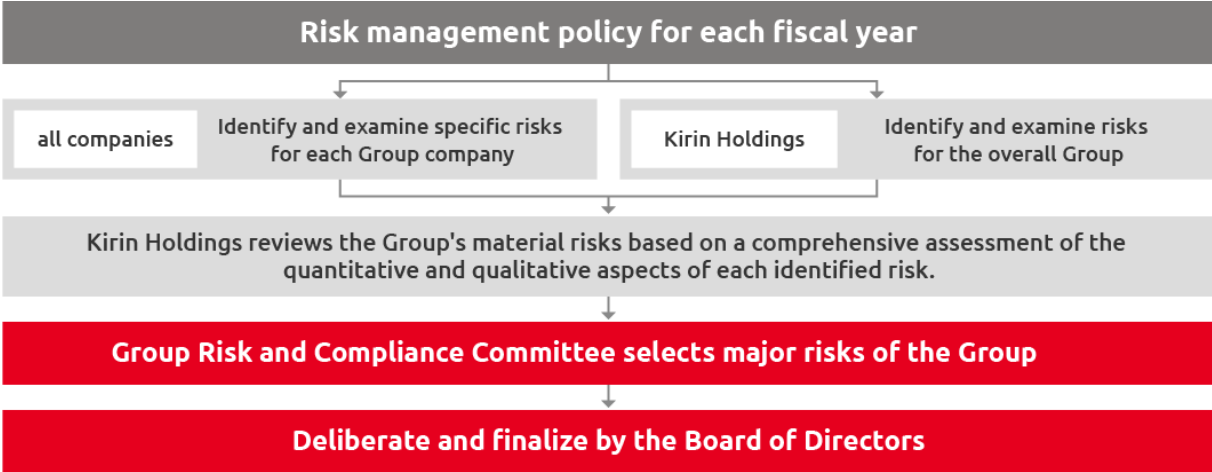


Figure 3

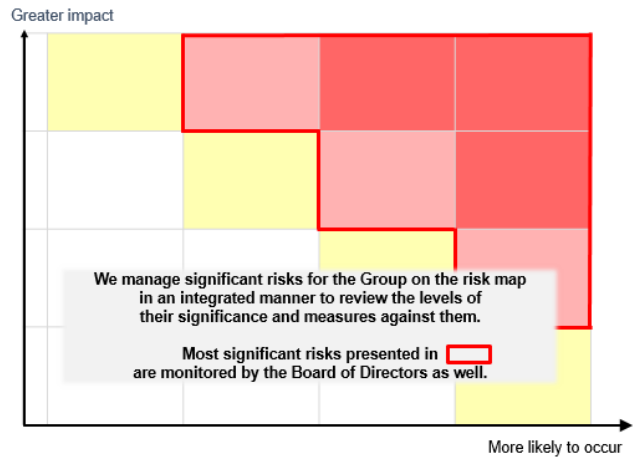


Figure 4



(3) KIRIN GROUP MAJOR RISKS

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

1) Risks in each business domain

Business area	Assumed risks	Major impacts in the event of risk occurrence
Food & Beverages	<ul style="list-style-type: none"> • Risks related to responses to business environment changes • Risks related to hikes in raw materials and fuel prices • Risks related to failure of new businesses 	<ul style="list-style-type: none"> • Sales targets fall short due to changes in the market environment and preferences, fluctuations in product prices, actions of competitors or other factors. • An increase in procurement costs due to hikes in raw materials and fuel prices affects manufacturing costs. • New businesses fail to penetrate the market, resulting in a downturn in sales and profits and a delay in business plans.
	Main countermeasures, awareness of risk situation, and other considerations	
	<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. For existing businesses in the Food & Beverages domain, we have implemented measures against risks based on the knowledge we have amassed on changes in business environments. Further, while, in new businesses, we are expanding the sale of highly profitable value-added products, as seeding efforts for the future, to pave the way for sustainable growth, we are making efforts to be better prepared for possible new risks we may face in the future, thereby reducing the potential impact from risks. Moreover, we consider the potential direct impact of hikes in raw materials and fuel prices attributable to geopolitical risks on our revenue and the impact of the success or failure of domestic <i>Home Tap</i> and global development of craft beer business on our medium- to long-term business plans as the Group’s major risks.</p> <p>(Specific countermeasures are stated in “MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.”)</p>	

Business area	Assumed risks	Major impacts in the event of risk occurrence
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 research and development • Risk related to government measures to reduce medical costs 	<ul style="list-style-type: none"> • The market penetration is not successful because of the expansion of the business area being slowed by delays in launch preparation and other factors, or difficulty in connecting with potential patients. • Stable product supply is impeded due to safety or quality concerns or difficulty in maintaining stable supply due to a sharp increase in demand or a tight supply and demand balance. • Growth potential and profitability in the future decline due to delayed enhancement of the pipeline • Product prices are reduced due to pressure to lower medical costs in Japan and overseas and the ongoing shift to generic drugs is accelerated.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>In the Pharmaceuticals domain, to maximize the value of global strategic products, we are implementing initiatives to spur market uptake and expanding business reach, centered on the United States and Europe. We believe it is also important that we strengthen our foundations such as a product quality assurance system and a stable production and supply system. More specifically, we have worked to secure product quality through monitoring by the Global Quality Assurance Committee and implementing products quality audits by an independent team specialized in audit within the Group and contractors. Also, we are expanding its network of contractors, investing in Group plants, visualizing a demand and supply plan, rolling out digital technology to enhance manufacturing operational efficiency. Japan and other countries are under growing pressure to curb medical costs. We closely monitor healthcare policy trends in each country and are strategically exploring ways to evaluate the value of pharmaceutical products from various perspectives to ensure that we deliver life-changing pharmaceutical products to patients. We are also assessing how the pricing of products put on the market impacts our business so that we can earn reasonable revenues and continue to create innovative pharmaceutical products in compliance with rules and regulations in each country.</p> <p>(Further details are stated in the Annual Securities Report of Kyowa Kirin Co., Ltd.)</p>	

Business area	Assumed risks	Major impacts in the event of risk occurrence
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 the competitive landscape • Risk of inability to increase added value due to insufficient organizational capabilities • Risks associated with product quality assurance, safety, or stockouts 	<ul style="list-style-type: none"> • The sales plan falls short due to the inability to formulate an effective business model. • A value-creating and highly profitable business model cannot be established due to a delay in establishing an organizational structure, as well as a delay in developing, acquiring, and strengthening human resources for business management, or inability to develop cooperation and synergies within the Group. • Product shortages occur due to production not proceeding according to the production plan. • Foods with Function Claims (FFCs) have quality issues, lack sufficient evidence, cause adverse reactions, or disseminate inaccurate information.
	Main countermeasures, awareness of risk situation, and other considerations	
	<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 implemented operation of the stage gate system and CVC investment to accelerate collaboration and synergies within the Group. In the immunology domain that involves FFCs, we have been striving to early produce positive outcomes and establish a business model through efforts to revitalize the market, including licensing out, as well as to expand awareness of LC-Plasma and raise awareness of its function with the aim of establishing immune care habits in the daily lives of our customers. In promoting business in domains other than the existing domains, we will enhance our organizational capability and strengthen governance from a risk management viewpoint to ensure prompt and bold decision-making and also to enable timely and appropriate risk control.</p> <p>(Specific countermeasures are stated in “MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.”)</p>	

2) Risks common to each business domain

Item	Assumed risks	Major impacts in the event of risk occurrence
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 a high level of expertise necessary for business activities • Risk of inability to obtain understanding of the human resources management system from employees 	<ul style="list-style-type: none"> • Organizational capabilities with competitive advantage are not achieved. • Stagnant transition to an assumed system results in a decline in organizational capabilities, causing adverse effect in accomplishing management strategies.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>The Kirin Group sees human resources as a source of value creation. To secure and nurture the human resources required for executing our management strategies, we will strive to build a human resources management system that places greater emphasis on professional expertise centered on function. In addition, we aim to nurture a corporate culture that attracts human resources with diverse values and expertise, embraces diversity, and transforms differences into strengths. Based on the recognition that diverse human resources and a corporate culture that encourages employees to take on new challenges constitute the foundation for companies, we will strengthen the linkage between our management strategies and human resources strategies from a medium- to long-term perspective and will strive to achieve the Group's sustainable growth and improve its corporate value.</p>	

Item	Assumed risks	Major impacts in the event of risk occurrence
Information technology	<ul style="list-style-type: none"> • Risk that the Group will be inferior to competitors due to lack of progress in digital transformation (DX) initiatives • Risk of falling behind in securing and training of DX experts 	<ul style="list-style-type: none"> • Higher costs caused by a delay in the efforts to make supply chain more efficient limit profit growth. • Inadequate understanding of consumer trends and inability to provide products that meet customer needs limits sales and profits. • A shortage of employees required to promote DX results in a delay in DX initiatives.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>With the promotion of DX, the Kirin Group has been 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 will strive to enhance our organizational structure and strengthen organizational capabilities to realize autonomous DX promotion in each Group company and division, securing human resources capable of promoting DX, and developing human resources through our unique programs.</p>	

Item	Assumed risks	Major impacts in the event of risk occurrence
Quality	<ul style="list-style-type: none"> • Risk of unexpected quality issues beyond the scope of quality assurance measures • Risk of receiving orders for improvement or administrative guidance from authorities concerned as a consequence of the use of inappropriate statements 	<ul style="list-style-type: none"> • Product discontinuation, recall, or compensation claims lead to incurrence of high costs or restriction on business activities. • A loss of trust of customers erodes our brand value.
	Main countermeasures, awareness of risk situation, and other considerations	
	Based on a “customer-first and quality-focused” approach, which forms the starting point of our business, we have declared in the Kirin Group’s Quality Policy and Standards of Conduct that providing safe and reliable products and services to our customers is our top priority. Along with the Principles of the Kirin Group’s Global Quality Management, we have developed 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. Further, in July 2022, we established the Marketing Communication Policy, which governs the expressions in labels and advertisements, to create them according to high ethical standards while paying due consideration to changes in social conditions. In addition, we have revised our quality-assurance manual to clarify the role and authority of the personnel responsible for quality concerning labels and advertisements, thereby strengthening the monitoring function. We will continue our efforts to foster an organizational culture that values “customer-first and quality-first” across all Group companies and divisions.	

Item	Assumed risks	Major impacts in the event of risk occurrence
Human rights	<ul style="list-style-type: none"> • Risk of the Kirin Group’s businesses, including those in each process of its value chain and those engaged by its business partners, adversely affecting human rights either directly or indirectly 	<ul style="list-style-type: none"> • Our corporate brand image is undermined or we are forced to scale down or withdraw from business. • We may have to pay fines or face litigation in cases we have violated laws and regulations, or we are subject to other economic penalties.
	Main countermeasures, awareness of risk situation, and other considerations	
	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. The Kirin Group also expects all of its business partners to support the Kirin Group Human Rights Policy and is committed to pursuing human due diligence initiatives. In the event it becomes clear that they have had or fomented any adverse impact on human rights, we will take appropriate and effective measures to remedy the situation.	

Item	Assumed risks	Major impacts in the event of risk occurrence
Environment	<ul style="list-style-type: none"> • Physical risks of climate change • Transition risks to a decarbonized society • Risks of a delay in the development of technologies, etc., which could impede or delay the solution of environmental issues 	<ul style="list-style-type: none"> • Procurement costs increase due to decreased yields of agricultural raw materials caused by global warming, droughts and floods, or operations are suspended due to droughts and floods. • Fuel costs and agricultural product costs increase due to carbon taxes. • Inability to adequately respond to society’s expectations results in a decline in corporate value.
	Main countermeasures, awareness of risk situation, and other considerations	
	The Kirin Group has formulated the Kirin Group’s Environmental Vision 2050, a long-term strategy for comprehensively addressing various environmental issues, and is working to achieve its goal. For physical risks such as decreased yields of agricultural raw materials, transition risks such as carbon pricing, and impacts on assets resulting from climate change, we assess financial impacts and resilience of our strategies through scenario analysis based on the TCFD recommendations to make necessary revisions to our policies and strategies and deepen our efforts. As for the issue of plastic containers, we have initiated a joint project with outside partners to study and achieve the practical use of technologies for recycling PET materials through chemical recycling, aiming to increase the recycled plastic ratio in Japan to 50% by 2027 (Kirin Group Plastic Policy). The Kirin Group will solve interrelated environmental issues on biological resources, water resources, containers and packaging, and climate change in an integrated manner, so we can pass a sustainable global environment on to the next generation. (Specific countermeasures are stated in “MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.”)	

Item	Assumed risks	Major impacts in the event of risk occurrence
Adverse effect of alcohol consumption	<ul style="list-style-type: none"> Risk of globally strengthening restrictions on sales and marketing of alcoholic beverages 	<ul style="list-style-type: none"> Alcohol consumption reduces. Corporate brand value declines.
	Main countermeasures, awareness of risk situation, and other considerations	
	Regarding the adverse effect of harmful alcohol consumption, the WHO is discussing future global regulations on the sale and marketing of alcohol. In order to fulfill its social responsibility as an alcoholic beverage producer and vendor, the Kirin Group is making progress in its efforts to eradicate harmful alcohol consumption in all countries where the Group operates its alcoholic beverages business. In advertising and promotion activities, we comply with the Kirin Group Global Marketing Code for Responsible Drinking and strict voluntary standards, and promote activities in cooperation with IARD and other industry groups in Japan and overseas. We have also developed non-alcoholic and low-alcoholic beverages and have worked to spread knowledge and raise awareness of appropriate ways of drinking alcoholic beverages. We will continue to make steady progress in our efforts to eradicate harmful alcohol consumption in line with changes in social conditions.	

Item	Assumed risks	Major impacts in the event of risk occurrence
Supply chain	<ul style="list-style-type: none"> Risk of supply chain disruption caused by large-scale natural disasters such as earthquakes and typhoons, infectious diseases, or impacts of geopolitical risks 	<ul style="list-style-type: none"> Business sites are closed or business activities are reduced or suspended. Delays in distribution or stockouts occur due to procurement, production, and logistics capabilities being unable to meet demand due to regional conflicts or terrorism, or a sharp rise in sales volume during peak periods.
	Main countermeasures, awareness of risk situation, and other considerations	
	To respond to disasters and accidents, the Kirin Group has formulated a business continuity plan (BCP) with an all-hazard approach that focuses on management resources as the starting point to develop countermeasures. In July 2022, we implemented a BCP drill jointly with multiple Group companies to check whether logistics operations function properly. 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 concern over supply chain disruption caused by terrorism or political unrest. In each business, we are working to reduce risks by improving the accuracy of supply and demand forecasts, strengthening logistics capacity, and consideration of alternative strategies. While our capability to respond to disasters and infectious diseases has strengthened through these ongoing efforts, we will continue to work on improving resilience to prepare for contingencies.	

Item	Assumed risks	Major impacts in the event of risk occurrence
Procurement	<ul style="list-style-type: none"> Risks related to hikes in raw materials and fuel prices Risk of inability to procure or delay in procuring raw materials due to impacts of geopolitical risks 	<ul style="list-style-type: none"> Greater than expected procurement costs suppress profits from business operations. Inability to secure raw materials required or delay in their delivery affect our manufacturing plans, leading to supply and demand adjustment and its prolongation. We face difficulty in procuring raw materials, leading to negative consequences such as a decline in corporate image and consumer boycott.
	Main countermeasures, awareness of risk situation, and other considerations	
	The Kirin Group hedges price spikes with long-term contracts, derivatives, and currency hedging, and protects against geopolitical and other risks through efforts to build and strengthen a stable procurement structure by considering the diversification of suppliers and raising inventory levels. In addition, recognizing responses to risks associated with human rights and the environment in our supply chain as one of our key management issues, we have been making efforts to establish a robust corporate structure and strengthen our organizational capabilities so that we can live up to growing expectations. To this end, we joined Sedex, conducted stakeholder dialogues, and implemented human rights due diligence in 2022. We have provided suppliers with an explanation of the Kirin Group Sustainable Supplier Code, requesting them to submit written consent to the code, and regularly confirming their status of compliance. Moreover, with a hotline to which suppliers can report their concerns over transactions in place, we have been promoting sustainable procurement, by building close ties with suppliers.	

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

Item	Assumed risks	Major impacts in the event of risk occurrence
Compliance	<ul style="list-style-type: none"> Risk of behavior that is illegal or counter to social norms 	<ul style="list-style-type: none"> Legal punishment, litigation, or social sanctions lead to a loss of customer trust.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>The Kirin Group defines compliance as “fulfilling both legal and ethical responsibilities that society expects from us, not to mention adhering to laws, internal and external regulations and rules.” We regularly hold training on compliance related matters, such as human rights, prevention of harassment and acts of corruption (including bribery), and responsible drinking, thereby facilitating the understanding and raising awareness of related rules to reduce the likelihood of occurrence of risk events. We also conduct an employee compliance awareness survey each year, which helps identify potential risks. Depending on the feedback from respondents, we verify the feedback and implement necessary measures, seeking to reduce risks at an early stage. We also have put in place a whistleblowing system so that we can early detect potential risk events. These systems include the points of contact for each Group company and global hotlines that allow whistleblowers to talk directly to officers in charge of compliance or Audit & Supervisory Board Members. We will continue to raise employees’ awareness of compliance so that we can nurture a strong sense of ethics as expected by society, as well as complying with relevant laws and regulations.</p>	

Item	Assumed risks	Major impacts in the event of risk occurrence
Finance and taxes	<ul style="list-style-type: none"> Risk of fluctuations of value in Japanese yen due to exchange rate volatility Risk of inability to raise necessary funds due to changes in financial markets/rating, or risk of fluctuations in financing cost Risk of greater than expected tax expenses due to changes in taxation system in each jurisdiction or a disagreement with tax authorities in filing tax returns 	<ul style="list-style-type: none"> Exchange rate fluctuations cause a change in the yen-translated value of financial statements denominated in local currencies and in the cost of procuring raw materials through foreign currency denominated transactions. Restrictions on fund procurement lead to a shortage of working capital and borrowings at high interest rates increase finance costs. Additional tax burdens will worsen business performance and social credibility.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>Although the impact of changing market environments and exchange rates cannot be fully eliminated, the Kirin Group has managed to lower the probability that such changes significantly impact its operating results and financial position by using derivatives and other hedging instruments. Specifically, we have reduced the potential impact of these changes on risks associated with funds by diversifying the sources of funding and improving capital efficiency by centrally controlling the Group’s cash position. We have also lowered the probability of significant tax risks by thoroughly fulfilling our tax payment obligations in compliance with the applicable taxation system.</p>	

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

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

In 2022, in addition to the prolonged COVID-19 pandemic, the emergence of geopolitical risks, global inflation, and the weak yen, among others had a significant impact on corporate management. In terms of consumer behavior, it was a year of major changes in society, including a further increase in health consciousness and further polarization of consumption.

In this environment, the Kirin Group accelerated its efforts to respond to changes in society under its Kirin Group Vision 2027 (KV2027) long-term management plan, including increasing profits in the Food & Beverages domain, strengthening the global foundation of the Pharmaceuticals domain, and expanding the Health Science domain. Kirin Holdings has been developing its pharmaceutical business for more than 40 years on the strength of fermentation and biotechnology cultivated through the beer business, which has continued for more than 100 years since its foundation, and Kirin Holdings is promoting its health science business, newly launched under KV2027, by leveraging these core technologies. Kirin Holdings believes that using its superior fermentation technologies and biological knowledge to grow the health science business—leading to solutions to health issues—will ensure the future of the Kirin Group's continued existence and sustainable growth as a company.

Kirin Holdings will use the strengths of the Kirin Group to solve not only health issues, but also other issues facing society, while at the same time creating economic value as a company and maximizing corporate value.

During the fiscal year under review, Kirin Holdings pursued the following initiatives under the Kirin Group 2022–2024 Medium-Term Business Plan (2022–2024 MTBP), the second of three medium-term business plans toward achievement of KV2027.

- Food & Beverages domain

While building a strong brand system by concentrating on its mainstay brands, Kirin Holdings also worked to expand products and services that offer new value propositions. In response to soaring raw materials and fuel prices, each Group company worked to improve profitability through productivity improvements and product price revisions.

- Pharmaceuticals domain

As a Japan-based Global Specialty Pharmaceutical company, Kirin Holdings worked to strengthen the foundation in Japan as well as overseas. In addition to steadily growing global strategic products, Kirin Holdings promoted the development of next-generation strategic products.

- Health Science domain

Kirin Holdings accelerated the development of *Lactococcus lactis* strain Plasma (LC-Plasma) to expand its business domain. In addition to the development of its own group products such as beverages and supplements, Kirin Holdings promoted sales of raw material to external partner companies and expanded the number of functional food products. As a result, the sales amount of LC-Plasma-related business increased 40% from the previous year. In addition, Kirin Holdings continued its efforts to raise awareness of “immune care” and contributed to solving consumers' health issues.

Kirin Holdings has also received high praise from outside the company in terms of ESG. For the second year in a row, Kirin Holdings received an "AA" rating in the MSCI ESG Ratings by the U.S.-based Morgan Stanley Capital International (MSCI), Inc. on a par with the world's leading CSV companies. In a survey conducted by CDP, an international non-profit organization, Kirin Holdings also received the highest rating of "A-List" in the two themes of "climate change" and "water security" for four consecutive years. In Japan, Kirin Holdings also received the highest overall ranking in the Nikkei SDGs Management Survey for four consecutive years, as well as the "SDGs Strategy and Economic Value Award" at the 4th Nikkei SDGs Management Grand Prix.

In response to increasing demands for disclosure of non-financial information, Kirin Holdings has been proactive in disclosing non-financial indicators. Kirin Holdings has set non-financial targets in the areas of "Environment," "Health," and "Employees" as key performance indicators in the 2022-2024 MTBP, and has promoted specific initiatives.

(¥ billions, unless otherwise stated)

	FY2022	FY2021	Change	
Consolidated revenue	1,989.5	1,821.6	167.9	9.2%
Consolidated normalized operating profit	191.2	165.4	25.7	15.6%
Consolidated operating profit	116.0	68.1	47.9	70.4%
Consolidated profit before tax	191.4	99.6	91.8	92.1%
Profit attributable to owners of the Company	111.0	59.8	51.2	85.7%

(Key performance indicators)

ROIC	8.5%	4.2%		
Normalized EPS (yen)	171	156	15	9.6%

Consolidated revenue for this fiscal year increased due to increases in sales of the Oceania Adult Beverages Business, Pharmaceuticals Business, and Coca-Cola Beverages Northeast. The Japan Non-alcoholic Beverages Business and Kyowa Hakko Bio Co., Ltd. posted a decrease in profits, but the Oceania Adult Beverages Business, Pharmaceuticals Business, and Coca-Cola Beverages Northeast saw an increase in profits, resulting in an overall increase in consolidated normalized operating profit. Profit attributable to owners of the Company increased mainly due to the sale of China Resources Kirin Beverages (Greater China) Company, Limited, despite the recording of an impairment loss related to Kyowa Hakko Bio Co. Among the key performance indicators, ROIC improved from the previous year to 8.5% due to an increase in consolidated normalized operating profit. Normalized EPS increased 15 yen from the previous year to a record high of 171 yen, mainly due to an increase in consolidated normalized operating profit and the impact of treasury shares completed in September.

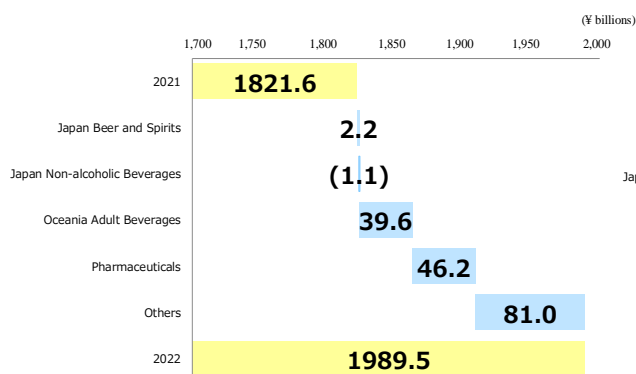
2) Performance by reportable segment

Results by segment are as follows.

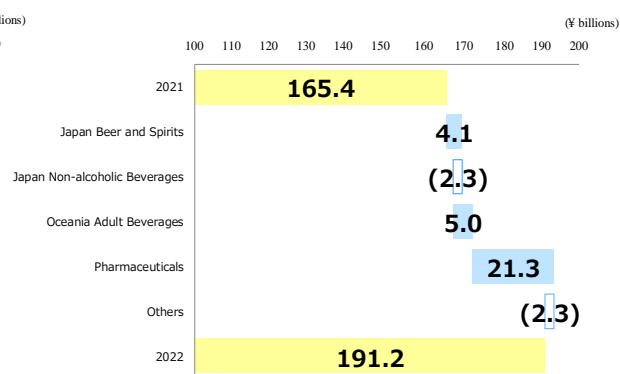
(¥ billions, unless otherwise stated)

	FY2022	FY2021	Change	
Consolidated revenue	1,989.5	1,821.6	167.9	9.2%
Japan Beer and Spirits	663.5	661.3	2.2	0.3%
Japan Non-alcoholic Beverages	243.3	244.4	(1.1)	(0.5%)
Oceania Adult Beverages	255.9	216.3	39.6	18.3%
Pharmaceuticals	397.9	351.7	46.2	13.1%
Others	428.9	347.9	81.0	23.3%
Consolidated normalized operating profit	191.2	165.4	25.7	15.6%
Japan Beer and Spirits	74.7	70.5	4.1	5.8%
Japan Non-alcoholic Beverages	18.8	21.1	(2.3)	(11.0%)
Oceania Adult Beverages	31.5	26.6	5.0	18.8%
Pharmaceuticals	82.5	61.2	21.3	34.7%
Others	(16.3)	(14.0)	(2.3)	—

Consolidated revenue (year on year)



Consolidated normalized operating profit (year on year)



Japan Beer and Spirits Business

The domestic alcoholic beverages market was affected by soaring raw material and fuel prices as well as the prolonged COVID-19, but overall the market was on a recovery trend. Kirin Brewery focused on its mainstay brand *KIRIN ICHIBAN* and *KIRIN ICHIBAN Zero Sugar*,¹⁾ to capture health-conscious consumers. As a result, overall sales volume of the *KIRIN ICHIBAN* brand increased 3% year-on-year. In the craft beer category, Kirin Brewery focused on efforts to broaden the appeal of a variety of beers. From the *SPRING VALLEY* brand, in addition to *SPRING VALLEY Hojun* <496>, *SPRING VALLEY Silk Ale* [White] was newly launched. Kirin Home Tap, a beer server for home use that allows consumers to enjoy authentic draft and craft beer at home, delivered the taste of freshly brewed beer to consumers nationwide. The *Tap Marché* beer server for restaurants, which can serve four kinds of craft beer from various regions of Japan, brought the enjoyment of a wide range of craft beer to consumers with 14 participating breweries. In addition, Kirin Brewery has been rolling out *TAPPY*, a next-generation beer server that maintains the freshness of beer and helps reduce food loss, and the number of restaurants that have installed *TAPPY* has surpassed 10,000. In the RTD category, the mainstay *Kirin Hyoketsu*® brand sold well. In particular, the *Hyoketsu*® *Sugar Free* series received strong support, with sales exceeding 14 million cases, approximately 1.2 times the target set at the beginning of the year. In the non-alcoholic beer-taste beverage category, Kirin Brewery revamped *Kirin GREENS FREE*, which helped revitalize the market.

As a result, revenue increased by 0.3% to ¥663.5 billion due to a recovery in sales of the on-premise channels, coupled with the impact of price revisions. Normalized operating profit increased by 5.8% to ¥74.7 billion due to the control of selling expenses.

Japan Non-alcoholic Beverages Business

The domestic beverage market is on a recovery trend due to increased opportunities to go out, but the external environment surrounding the market became more intense due to soaring raw material and fuel prices, etc. At Kirin Beverage, sales of mainstay brands were strong, with sales of both *Kirin Gogo-no-Kocha* and *Kirin Nama-cha* exceeding those of the previous year. In particular, sales of *Kirin Gogo-no-Kocha Oishii Muto* (sugar free) were up 17% from the previous year. In the Health Science area, where Kirin Beverage is focusing its efforts, Kirin *iMUSE Morning Immune Care*, a small-volume PET-bottled beverage, was launched nationwide to strengthen efforts to make “immune care” a habit in consumers. In addition, Kirin Beverage renewed and strengthened sales of Kirin *iMUSE Lemon* and Kirin *iMUSE Yogurt Taste*, resulting in a 23% year-on-year growth in sales volume of beverages containing LC-Plasma. On top of that, *KIRIN naturals*, a service for corporate consumers to promote health management, was renewed as a service to improve employees' lifestyle habits and raise their health awareness.

However, revenue decreased by 0.5% to ¥243.3 billion. Normalized operating profit decreased 11.0% to ¥18.8 billion due to soaring raw material costs and other factors, despite efforts to reduce sales promotion and advertising expenses.

Oceania Adult Beverages Business

In the Australian alcoholic beverage market, while the on-premise market was recovering from the impact of COVID-19, the off-premise market remained soft. Lion strengthened marketing activities centered on its mainstay XXXX (“four-ex”) and worked to revitalize the brand. In the craft beer business, which is positioned and focused as a growth area, Lion acquired Fermentum Pty Ltd. in Australia in 2021 and expanded its premium portfolio. In 2022, Lion acquired Bell's Brewery, Inc. in the United States, and together with New Belgium Brewing Company, proceeded to build a craft platform in North America.

As a result, yen-based revenue increased by 18.3% to ¥255.9 billion. Yen-based normalized operating profit increased by 18.8% to ¥31.5 billion due to supply chain optimization and other cost reduction efforts.

Pharmaceuticals Business

In 2022, the second year of the company's 2021-2025 Medium Term Business Plan, Kyowa Kirin continued its efforts to grow as a Japan-based Global Specialty Pharmaceutical company. While the global therapeutic environment is changing due to COVID-19, global strategic products *Crysvita* and *Poteligeo* continued to show steady growth. As for next-generation strategic products, development of *KHK4083* (generic name: *Rocatinlimab*) and *KHK7791* (generic name: *Tenapanor Hydrochloride*) made steady progress. On the other hand, the development of *KW-6356* was discontinued, and the decision was made to discontinue the development of *ME-401* outside Japan. In Kyowa Kirin's "patient advocacy" activities, which aim to resolve business and social issues by listening to the voices of people facing illnesses, Kyowa Kirin actively promoted support for rare and intractable diseases in Japan and overseas, including participation in the community of ASrid, a Japanese non-profit organization. As a result, revenue increased by 13.1% to ¥397.9 billion due to an increase in overseas pharmaceutical sales, particularly of global strategic products. Normalized operating profit increased by 34.7% to ¥82.5 billion due to an increase in gross profit resulting from higher revenue, despite an increase in selling, general and administrative expenses and research and development expenses related to sales of global strategic products.

Results of other major businesses are as follows.

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

Kyowa Hakko Bio was forced to suspend manufacturing at its Shanghai plant in China (SHANGHAI KYOWA AMINO ACID CO., LTD.), one of its production bases, following the spread of a new COVID-19 strain, and sales were also constrained. In addition, sales of Citicoline, a key ingredient, were weak due to factors such as the impact of inflation in the United States, the largest dietary supplement market. Profitability was worsened due to soaring raw material and fuel prices. On the other hand, despite the severe business environment, Kyowa Hakko Bio completed a production facility for HMOs (human milk oligosaccharides)—for which demand is expected to grow worldwide—in its own factory in Thailand (THAI KYOWA BIOTECHNOLOGIES CO., LTD.). As a result, revenue decreased by 3.7% to ¥51.1 billion, and business loss amounted to ¥3.9 billion.

Mercian Corporation (Mercian)

At Mercian, while its mainstay wine business was greatly affected by the sharp depreciation of the yen, it worked to nurture its own highly profitable brands. Mercian began developing a new brand, Mercian Wines, co-created with winemakers around the world, and responded to ethical consumption which has been on the rise in recent years. In Japanese wines, Mercian has strengthened its efforts with the Château Mercian flagship brand. Mercian also launched a consulting business to raise the standard of the Japanese wine industry as a whole. Mercian aims to grow Château Mercian while contributing to local economies. However, revenue increased by 4.5% to ¥60.5 billion, and business loss amounted to ¥0.6 billion.

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

In the United States, the beverage market grew significantly, as strong consumer demand continued despite rising inflation. Coke Northeast also worked to increase demand while revising product prices, and as a result, sales remained strong. The company also improved profitability by working on a more profitable product mix. As a result, revenue increased by 39.6% to ¥216.2 billion, and normalized operating profit increased 59.3% to ¥26.3 billion.

Myanmar Beverages Business

The Company reached an agreement with Myanma Economic Holdings Public Company Limited (MEHPCL), a joint venture partner of the Company's consolidated subsidiaries Myanmar Brewery Limited (MBL) and Mandalay Brewery Limited (MDL), and transferred all the shares (51% of the total number of shares issued) of MBL and MDL held by Kirin Holdings Singapore Pte, Ltd., a consolidated subsidiary of the Company, to MBL and MDL (share repurchase by MBL and MDL) on January 23, 2023.

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	646,558	(1.4)
Japan Non-alcoholic Beverages	127,230	10.1
Oceania Adult Beverages	263,788	23.0
Pharmaceuticals	152,121	2.3
Others	282,759	24.3
Total	1,472,456	8.1

Note: Amounts are based on selling prices.

(b) Orders received

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

(c) Sales results

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

Segment	Amount (¥ millions)	YoY change (%)
Japan Beer and Spirits	663,522	0.3
Japan Non-alcoholic Beverages	243,257	(0.5)
Oceania Adult Beverages	255,900	18.3
Pharmaceuticals	397,863	13.1
Others	428,925	23.3
Total	1,989,468	9.2

Notes:

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

Customer	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
	Amount (¥ millions)	Percentage (%)	Amount (¥ millions)	Percentage (%)
Mitsubishi Shokuhin Co., Ltd.	225,518	12.4	220,074	11.1

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 ¥2,542.3 billion, an increase of ¥70.3 billion from the end of the previous fiscal year. Property, plant and equipment, and goodwill increased by ¥52.1 billion in total from the end of the previous year. This was primarily as a result of making Bell's Brewery, Inc., a subsidiary and the effect of foreign exchange rate fluctuations. Inventories increased by ¥42.9 billion from the end of the previous fiscal year. In contrast, equity-accounted investees decreased by ¥37.6 billion, mainly due to the sale of China Resources Kirin Beverages (Greater China) Company, Limited.

Equity increased by ¥105.2 billion from the end of the previous fiscal year to ¥1,253.2 billion due to an increase in retained earnings of ¥65.6 billion and an increase in reserves of ¥69.8 billion. The increase in reserve was mainly attributable to an increase in foreign currency translation differences on foreign operations of ¥72.5 billion due to a weak yen.

Liabilities decreased by ¥34.9 billion from the end of the previous fiscal year to ¥1,289.1 billion. Despite the issuance of straight bonds worth ¥20.0 billion in June 2022, bonds and borrowings decreased by ¥28.4 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.

As a result, the equity ratio attributable to owners of the Company and the gross debt equity ratio stood at 38.5% and 0.53 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 decreased by ¥0.7 billion to ¥432.1 billion from the end of the previous fiscal year

Japan Non-alcoholic Beverages

Segment assets of the Japan Non-alcoholic Beverages Business at the end of this fiscal year decreased by ¥6.0 billion to ¥133.2 billion from the end of the previous fiscal year mainly due to a decrease in other financial assets.

Oceania Adult Beverages

Segment assets of the Oceania Adult Beverages Business at the end of this fiscal year increased by ¥70.9 billion to ¥546.7 billion from the end of the previous fiscal year. This was mainly because goodwill and property, plant and equipment increased primarily as a result of making Bell's Brewery, Inc., a subsidiary and exchange rate fluctuations.

Pharmaceuticals

Segment assets of the Pharmaceuticals Business at the end of this fiscal year increased by ¥18.2 billion to ¥880.3 billion from the end of the previous fiscal year mainly due to increases in property, plant and equipment, trade and other receivables, and inventories, despite an impairment loss on intangible 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 ¥88.1 billion, a decrease of ¥61.4 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 decreased by ¥83.7 billion year on year to ¥135.6 billion. Although profit before tax increased by ¥91.8 billion, a ¥12.6 billion increase in outflow of working capital, a ¥13.2 billion reversal of impairment loss, which is a non-cash item, and a ¥48.1 billion gain on sale of equity-accounted investees resulted in a decrease of ¥48.0 billion in the sub-total. Below the sub-total line, cash flows from operating activities decreased year on year due to a ¥39.2 billion increase in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities decreased by ¥46.0 billion year on year to ¥10.4 billion. The decrease was mainly because proceeds from sale of equity-accounted investees increased by ¥117.1 billion year on year to ¥122.2 billion as a result of the sale of China Resources Kirin Beverages (Greater China) Company, Limited in this fiscal year. Meanwhile, acquisition of shares of subsidiaries, net of cash acquired increased by ¥0.7 billion year on year to ¥46.2 billion as a result of making Bell's Brewery a subsidiary in this fiscal year, while making Fermentum a subsidiary in the same period of the previous fiscal year. Outflow for acquisition of property, plant and equipment and intangible assets increased by ¥12.1 billion year on year to ¥98.5 billion. There was inflow of ¥7.9 billion for sale of investments through our continuous efforts to reduce cross-shareholdings.

Cash flows from financing activities

Net cash used in financing activities decreased by ¥12.6 billion year on year to ¥167.8 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 ¥65.5 billion. The Company also acquired ¥50.0 billion of treasury shares to increase shareholder returns. In addition, interest-bearing liabilities decreased by ¥36.9 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 a flexible shareholder return policy. By steadily implementing this 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.

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

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

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

The Company executed a share purchase agreement 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 on February 16, 2022 and completed the transfer on August 5, 2022.

Transfer of shares of Myanmar beverages business

The Company reached an agreement with Myanma Economic Holdings Public Company Limited (MEHPCL), a joint venture partner of the Company's consolidated subsidiaries Myanmar Brewery Limited (MBL) and Mandalay Brewery Limited (MDL), and transferred all the shares (51% of the total number of shares issued) of MBL and MDL held by Kirin Holdings Singapore Pte, Ltd., a consolidated subsidiary of the Company, to MBL and MDL (share repurchase by MBL and MDL) on January 23, 2023.

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

5. RESEARCH AND DEVELOPMENT ACTIVITIES

The Kirin Group has designated “Core technology that creates solid value” in the Long-Term Management Vision “Kirin Group Vision 2027” (KV2027) as one of its organizational capabilities for achieving innovation. We have worked to further develop our traditional strengths in fermentation and biotechnology, packaging, and engineering. For the Food & Beverages and Health Science domains, the Group engages in research and development activities at three research institutes of the Research & Development Division of Kirin Holdings Company, Limited (Kirin Central Research Institute, Institute for Future Beverages, Institute for Package Innovation) and other research institutes of its operating companies.

For the Pharmaceuticals domain, Kyowa Kirin Co., Ltd. primarily undertakes research and development activities, moving forward with joint initiatives with Kirin Holdings Company, Limited with the aim of delivering value beyond pharmaceuticals.

The Kirin Group’s research and development expenses for the fiscal year under review amounted to ¥74.3 billion. Major outcomes of our research and development efforts by segment are set out 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

In the Japan Beer and Spirits Businesses, Kirin Brewery Company, Limited (Kirin Brewery) conducts research, technological development, and product development in cooperation with the three research institutes of the Research & Development Division of Kirin Holdings Company, Limited. In the beer category, we revamped both the content and package of *KIRIN ICHIBAN Zero Sugar*, Japan’s first^{*1} zero-carb^{*2} beer in July 2022. While keeping the Ichiban Shibori method^{*3} unchanged, we honed our carb reduction method, increased malt and reviewed the percentage composition of hops to improve the first mouthfeel and taste of the beer and give a clear aftertaste.

In September 2022, Kirin Brewery launched a new line of canned craft beer *SPRING VALLEY Silk Ale [White]*, white beer which is still underpenetrated and tastes quite different from *SPRING VALLEY Hojun 496* and conventional pilsner beer, and therefore attracts customers with more diverse and new attraction of beer.

SPRING VALLEY Silk Ale [White] is distinguished in that the product is unfiltered to give it a mellow texture, and contains malt to create soft and creamy beer head and mild mouthfeel. The blending of rare Nelson Sauvin hops from New Zealand gives this wheat ale a rich and mild taste.

In March 2022, Kirin Brewery revamped both the content and package of three lines of *Kirin Hyoketsu®* series: *Kirin Hyoketsu® Sicilian Lemon*, *Kirin Hyoketsu® Grapefruit*, and *Kirin Hyoketsu® Chardonnay Sparkling*. In April 2022, Kirin Brewery revamped *Kirin Hyoketsu® Mikan* and newly released it as *Kirin Hyoketsu® Orange*, which is more refreshing and tasty than the predecessor, with a distinctive flavor of fresh orange and a smooth and clean aftertaste. In revamping *Kirin Hyoketsu® Sicilian Lemon*, we adopted a lemon freezing technique to extract lemon essence by freezing lemons without applying heat to bring out clear and fresh taste of lemons.

In January 2022, we also revamped both the content and package of the “*Kirin Hakko Lemon Sour*” brand, RTD^{*4} manufactured using the fermentation technology, a foundation for the development and production of Kirin’s tasty alcohol beverages. In order to prompt more customers to choose the brand with strong performance, this time, we thoroughly reevaluated the yeast used to ferment lemon juice and improved the fermenting process that squeeze the most flavor out of lemons. As a result, the volume of aroma component increased about 15% compared to the conventional fermented lemon juice, making the beverages taste richer, fresher, and easier to drink.

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

*1 The first canned zero-carbo beer product in Japan (based on our survey using Mintel GNPD)

*2 Based on food labeling standards

*3 The method to use first squeezed sweet wort as ingredients in the filtration process of sweet wort

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

Japan Non-alcoholic Beverages Businesses

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

Since March 2022, Kirin Beverage has distributed *Kirin iMUSE Morning Immune Care* to mass retailers, drugstores, and convenience store channels nationwide with the aim of spreading the new habit of morning immune care among many consumers and helping them stay healthy. *iMUSE Morning Immune Care* is the beverage in 100ml PET bottles containing Kirin's proprietary ingredient LC-Plasma, designated as food with functional claims.

In April 2022, we relaunched *Kirin Nama-cha* with new flavor, container, and packaging. The new *Nama-cha* offers a new, more refreshing taste, with the natural sweetness and of fresh tea leaves, to reset and refresh the minds and bodies of customers. The product is improved so the customers can enjoy the natural sweetness and flavor of fresh tea leaves and a refreshing aftertaste. Furthermore, since 2021, positioning *Nama-cha* as eco-friendly flagship CSV brand, we have been expanding the use of PET bottles 100% made of recycled resin ("R100 PET bottles") and launching label-free products. In revamping the products this time, we have shortened the length of labels as part of our effort to introduce more eco-friendly packaging.

In June 2022, we began the trial sale of label-free *Kirin Nama-cha* with paper seals attached at some mass retailers in the Tokyo metropolitan area. Instead of a label wrapped around the bottle itself, a small paper tack seal with necessary information on it is attached to the product, making it possible to sell products one at a time in stores even without conventional labels*¹. While most tack seals had been made of plastic, for the new product, we have adopted paper tack seals developed in collaboration with Fuji Seal, Inc.

In August 2022, in the Tobu Tojo Line, the "bottle to bottle" horizontal recycling was launched, in which used PET bottles are collected and recycled into PET bottles. Kirin Beverage and Tobu Railway are cooperating to establish a recycling model to ensure that collected used PET bottles are recycled into PET bottles. This will give us a great opportunity to expand the social infrastructure towards realizing the "bottle-to-bottle" recycling. In addition, by implementing this scheme, we will be able to reduce the cost of collecting PET bottles from recycling bins and streamline the route to intermediate processing, thereby achieving the "bottle to bottle" recycling at a lower cost.

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

*1 A label wrapped around a PET bottle

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 for this segment amounted to ¥0 billion.

Pharmaceuticals Business

Kyowa Kirin Co., Ltd. (Kyowa Kirin) continuously and actively invests resources in research and development activities. Kyowa Kirin aims to advance both a technological pillar that can build a platform for applying various modalities and discovering innovative drugs and a disease pillar that continues to provide “only-one value drugs” for diseases for which there are no effective treatments while utilizing the disease science accumulated by the Group thus far, build a highly competitive pipeline, and provide new drugs with life-changing value worldwide. Our progress in the respective disease fields of our main late-stage development products is as follows. (“◆” indicates the progress made during the fourth quarter of fiscal 2022.)

Nephrology

KHK7580 (product name in Japan: ORKEDIA)

- In July 2022, we applied for approval for marketing as its indication for treatment of secondary hyperparathyroidism in China.
- ◆ In November 2022, we applied for approval for marketing as its indication for treatment of secondary hyperparathyroidism in South Korea.

KHK7791 (generic name: Tenapanor Hydrochloride)

- ◆ In October 2022, we applied for approval for improvement of hyperphosphatemia in chronic kidney disease patients on dialysis in Japan.

Oncology

KW-0761 (product name in Japan, U.S. and Europe: POTELIGEO)

- ◆ In October 2022, we obtained approval of its indication for treatment of mycosis fungoides and Sézary syndrome in China.

KRN125 (product name in Japan: G-Lasta)

- In February 2022, we obtained approval of its indication for treatment of the mobilization of hematopoietic stem cells into peripheral blood for allogeneic blood stem cell transplantation in Japan.
- In July 2022, we obtained approval for an automated injection device for decreasing the incidence of febrile neutropenia in patients receiving cancer chemotherapy in Japan.
- ◆ In December 2022, we launched “G-Lasta Subcutaneous Injection 3.6 mg BodyPod,” an automated injection device for decreasing the incidence of febrile neutropenia in patients receiving cancer chemotherapy, in Japan.

ME-401 (generic name: Zandelisib)

- ◆ Although global clinical studies had been conducted with MEI Pharma, Inc., global development of zandelisib outside of Japan for B-cell malignancies was discontinued in December 2022 after receiving the most recent guidance from the U.S. Food and Drug Administration (FDA).

Immunology and allergy

KHK4827 (product name in Japan: LUMICEF)

- In September 2022, we filed an application in Japan for a partial change for approval of its planned indication for palmoplantar pustulosis.

KHK4083/AMG 451 (generic name: rocatinlimab)

- ◆ In December 2022, enrollment for the multi-regional phase III clinical trial for atopic dermatitis was restarted.

Other

AMG531 (product name in Japan: Romiplate)

- In January 2022, we obtained approval of its indication for treatment of adult patients with chronic Immune Thrombocytopenia (ITP) who do not respond well to other treatments, such as corticosteroids and immunoglobulin, in China.
- ◆ In November 2022, we filed an application in Japan for a partial change for approval of its indication for treatment of aplastic anemia.

KRN23 (product name in Japan, U.S. and Europe: Crysvita)

- In August 2022, we obtained approval of its indication for treatment of tumor induced osteomalacia in Europe.

Research and development expenses for this segment amounted to ¥62.4 billion.

Other Businesses and Administration

Mercian Corporation (Mercian) conducts research on, and development of technologies and wine products in cooperation with three research institutes of the Research & Development Division of Kirin Holdings Company.

In March 2022, Mercian launched nationwide *Blends Perfect Blend Red/White*, and *Blends Perfect Blend Bordeaux* from the “*Mercian Wines*” brand, a new brand of imported wines co-created by winemakers from around the world and Mercian’s winemakers for Japanese customers. *Mercian Wines* is a new brand of imported wines created through collaboration between Mercian and wineries around the world, with the aim of enabling more Japanese customers to enjoy wine more casually and freely. The brand is also designed to meet the growing needs for ethical consumption in recent years by working together with wineries that are taking on the challenge of making wines that are sustainable in terms of the following four perspectives: reduction in environmental impact, coexistence with wine producing regions, reduction in impact on people, and information visibility.

In August 2022, from the *Mercian Wines* brand, Mercian released *Sunnyside Organic Red/White*, aiming to raise the standard of daily wine life for customers, organic wines that are affordable yet high quality and will fit Japanese customers' taste. These products were created in cooperation with the Eco Project^{*1} established by Peninsula of Spain, a partner winery, as Mercian felt compassion for the intent of the project.

In September 2022, Mercian upgraded the taste and redesigned the packaging of some of its *Delicious Antioxidant-free Wine* series – Premium PET-bottled wines (red/white), produced using carefully selected ingredients. The relaunched products feature Mercian’s proprietary “Luxury Mellow Manufacturing” technique that enhances the effect of certain ingredients contained in wine that stabilize its aroma and flavor, further evolving its “rich, deep, and mellow aroma and fruit flavor. In addition, Mercian has adopted its lightest-ever 720ml PET bottle^{*2} weighing 5g less than its predecessor, for the products. We expect that the packaging will help reduce approximately 83 tons^{*3} of PET resin and 286 tons^{*3} of CO₂ emissions per year, as well as make the products easier for customers to carry. This light-weight PET bottle received the 46th Kinoshita Award for Packaging Technology from the Japan Packaging Institute in June 2022.

At the 46th Challenge International du Vin 2022 held in the Bordeaux region of France in April, *Mercian Wines Bordeaux 2020* and *Chateau Mercian Hokushin Chardonnay 2019* were awarded gold awards. In addition, at the International Wine Challenge (IWC) 2022 held in London, England in April 2022, *Chateau Mercian Hokushin Chardonnay 2019* received the highest score for a Japanese wine; and *Chateau Mercian Hokushin Chardonnay 2019*, *Chateau Mercian Fuefuki Koshu Gris de Gris 2020* and *Chateau Mercian Iwasaki Koshu 2020* received silver awards. In the same competition, *Chateau Mercian Tamamoro Koshu Kiiroka 2020* and two other wines won bronze awards; *Mercian Wines Blends Perfect Blend Red* and *Mercian Wines Bordeaux 2020* from the new *Mercian Wines* brand launched in March 2022, as well as four products from the *Chateau Mercian* brand received encouragement awards, bringing the Company’s total to 12 awards.

*1 The term “eco eco” is coined from the combination of Ecology and Economy.

*2 Developed by the Institute for Package Innovation of Kirin Holdings Company, Limited. The package has a patent pending.

*3 Estimates based on the assumption that this PET bottle is used for all other 720ml PET-bottled products manufactured and sold by Kirin Holdings Company, and on actual sales in 2021.

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

For Citicoline, Kyowa Hakko Bio has completed construction of additional facilities at its Yamaguchi Plant, with operations scheduled to commence at the end of 2023. By establishing a stable global supply system, we will meet the needs for preventing age-related decline in brain function and improving concentration power and performance.

As for *Human Milk Oligosaccharide*, for which Kyowa Hakko Bio established a production system at the industrial level for the first time in the world^{*1}, the construction of manufacturing facilities at THAI KYOWA BIOTECHNOLOGIES CO., LTD. was completed in November 2022, and the introduction of production of three items has finished. *Human Milk Oligosaccharides* is a generic term for oligosaccharides contained in breast milk, and is a prebiotic,^{*2} a substance that serves as a nutrient for beneficial bacteria such as bifidobacteria. It reaches the large intestine without being metabolized by human digestive enzymes, is metabolized by intestinal bacteria, and exhibits various physiological functions. As research progresses, it is expected to serve as a functional ingredient besides a nutrient for infants. In 2023, we will start selling it to powdered milk manufacturers and other customers, and also utilize it in product development within the Kirin Group. Also, through its deployment in countries around the world where the demand for *Human Milk Oligosaccharides* is strong, we will contribute to solving social issues related to health.

*1 Tetsuo Endo et. al., Appl. Microbiol. Biotechnol. 53, 257-261 (2000)

*2 Substances that serve as a selective source of nutrients for and promote the growth and proliferation of microorganisms beneficial to human body

Kirin Holdings Company, Limited, has continued to focus on research and development that will lead to the expansion of its health science business. To further accelerate R&D activities in the health science area, the Company has consolidated its R&D facilities in Tsukuba City, Ibaraki Prefecture, into Shonan Health Innovation Park (abbreviated to Shonan iPark, located in Fujisawa City, Kanagawa Prefecture). Established in April 2018, Shonan iPark is a science park created by a pharmaceutical company, aiming to become a place where companies, institutions in the public sector, and scholars from a wide range of segments and sizes join forces and work together to drive health innovation.

The discovery and practical application of *Lactococcus lactis* strain Plasma (“LC-Plasma”),^{*1} a lactic acid bacteria in the immunology field, has been highly evaluated, and at the 26th Ando Hyakufuku Award^{*2} of Shokusokai: Society to Encourage Creation and Development of New Foods^{*3} (chaired by Junichiro Koizumi, former Prime Minister) of ANDO Foundation, we received the award of excellence.

Regarding LC-Plasma, a clinical trial was conducted jointly with National Institute of Nutrition in Vietnam, in which approximately 1,000 first to third grade elementary school students in Vietnam consumed a beverage containing approximately 100 billion LC-Plasma or a beverage containing no LC-Plasma for 8 weeks at lunch time. As a result, the clinical trial revealed that the cumulative number of days with cold-like symptoms^{*4} (fever, diarrhea, etc.) and the cumulative number of days absent from school significantly decreased in the group that consumed the beverage containing

approximately 100 billion plasma lactic acid bacteria. This is the first clinical trial of LC-Plasma on children overseas. The fact that LC-Plasma was found to be effective in reducing fever and diarrhea, which are cold-like symptoms, with first- to third-grade elementary school students, suggests that continuous intake of LC-Plasma can be a safe and convenient countermeasure against infectious diseases for children.

Furthermore, in a joint research with AIDS Research Center of the National Institute of Infectious Diseases, we confirmed the effect of LC-Plasma on inhibiting the spread of new coronaviruses^{*5} and analyzed its mechanism of action. This is a research adopted by the Japan Agency for Medical Research and Development as part of its FY2022 Research Program on Emerging and Re-emerging Infectious Diseases.

In other research in the field of immunology, the development and commercialization of *Lactobacillus paracasei* KW3110 (KW lactobacillus) was highly evaluated and received the Agricultural Chemistry Technology Award in 2022 from the Japanese Society for Bioscience, Biotechnology, and Agrochemistry.

In the area of brain research, a female researcher at the Kirin Central Research Institute received the 2022 Award for Female Corporate Researcher in Agricultural Chemistry from the Japanese Society for Bioscience, Biotechnology, and Agrochemistry for her research results on Citicoline, a component in the body that maintains the cell membrane in the brain and nerve cells. The award was given in recognition of her research results showing that *Citicoline* could improve memory in general and episodic memory^{*6} in particular. In addition, this research was conducted using Citicoline produced by Kyowa Hakko Bio Co., Ltd.^{*7}

Kirin Holdings, jointly with FANCL CORPORATION and Hamamatsu City, Shizuoka Prefecture, had focused on a research study to explore the relationship between olfactory function, autonomic nervous system activity, mood, and stress, targeting citizens in Hamamatsu City since November 2020. As a result, we confirmed that people with poorer mood and stress states have lower olfactory sensitivity, and that people with lower stress resistance and autonomic nervous system activity have lower ability to identify specific fragrances^{*8}. This research is the first joint human study between Kirin and FANCL. Kirin and FANCL will help customers realize healthy everyday life by promoting the development of olfactory function tests as a service and the development of products that support mood and stress conditions.

Another research in the brain area received the 2021 Research Encouragement Award from the Japanese Society of Anti-aging Medicine, the core academic society for aging research in Japan, in recognition of a series of proprietary research results and solid evidences on cognitive function improvement material β -lactopeptide^{*9} and aged hops. Moreover, the research team has revealed for the first time in the world that GTWY peptide^{*10}, one of β -lactopeptides, protects cranial nerves through a mechanism that improves mitochondrial^{*11} function, which plays an important role in brain aging. The results of this research were presented at the 2022 Annual Meeting of the Japanese Society for Bioscience, Biotechnology, and Agrochemistry, and received the Topic Award.

Research and development expenses for other businesses and the entire company (common) totaled 10.2 billion yen.

*1 LC-Plasma refers to *Lactococcus lactis* subsp. *lactis* JCM 5805 owned by RIKEN BioResource Center.

*2 The Ando Momofuku Award (sponsored by the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Agriculture, Forestry and Fisheries) has been awarded since 1996 to creative researchers, developers, and venture entrepreneurs who have contributed to the promotion of food science and the creation and development of new food products. 2022 marked its 26th year.

*3 The Award was established to support unique basic research, food development, and ventures that contribute to the development of new foods and the promotion of food science, and is given to individuals who have made outstanding achievements in the advancement of food products and food culture.

*4 The symptoms of upper respiratory tract infection and gastrointestinal infection

*5 News release (December 13, 2021): Joint research by Kirin Holdings and the National Institute of Infectious Diseases confirmed that *Lactococcus lactis* strain Plasma (LC-Plasma) reduces the replication and growth of new coronaviruses (in vitro tests).

*6 This is a type of long-term memory that is stored for a long period of time, even years, and is characterized by the storage of both events based on personal experience and accompanying information.

*7 Citicoline used in this clinical trial is the one approved for food use in the United States. These statements have not been evaluated by the U.S. Food and Drug Administration and the Japanese Ministry of Health, Labour and Welfare. In Japan, Citicoline is not approved for use in foods and beverages.

*8 The ability to recognize what it smells like.

*9 A generic term for peptides derived from milk proteins that contain tryptophan-tyrosine (WY) amino acid sequence and have cognitive function improving effects.

*10 A generic term for peptides that are major components of β -lactopeptide and contain glycine-threonine-tryptophan-tyrosine sequence.

*11 One of the subcellular organelles that produces adenosine triphosphate (ATP), an energy substance essential for maintaining cellular life.

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 ¥93,722 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 ¥17,486 million.

In Japan Non-alcoholic Beverages Businesses, Kirin Beverage Company, Limited has renewed vending machines and invested in manufacturing facilities in plants to improve profit. As a result, capital expenditures in Japan Non-alcoholic Beverages Businesses amounted to ¥9,142 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 ¥12,554 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 ¥20,007 million. Capital expenditures in other businesses amounted to ¥34,534 million.

We recorded impairment losses of ¥34,137 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, 2022

Segment	Carrying amount (¥ millions)					Number of employees (persons)
	Buildings and structures	Machinery, equipment and vehicles	Land	Others	Total	
Japan Beer and Spirits	48,031	40,310	27,426	18,949	134,715	4,275 [855]
Japan Non-alcoholic Beverages	7,767	10,462	7,997	19,370	45,596	3,467 [562]
Oceania Adult Beverages	52,481	81,599	23,655	12,179	169,914	4,049 [469]
Pharmaceuticals	40,811	12,283	12,979	22,637	88,710	5,982 [214]
Others	48,591	31,506	14,603	20,648	115,348	11,446 [1,912]
Sub-total	197,682	176,160	86,659	93,783	554,283	29,219 [4,012]
Eliminations or corporate	6,319	(2,186)	(6,188)	8,414	6,359	1,319 [-]
Total	204,001	173,974	80,471	102,197	560,642	30,538 [4,012]

(2) INFORMATION ABOUT REPORTING COMPANY

As of December 31, 2022

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	10,467	1,281	1,901 (185)	7,271	20,920	914 [-]

(3) DOMESTIC SUBSIDIARIES

As of December 31, 2022

Company name	Office (Location)	Segment	Description of facilities	Carrying amount (¥ millions)					Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m ²)	Others	Total	
Kirin Brewery Company, Limited	Yokohama Plant and 8 other plants (Tsurumi-ku, Yokohama, etc.)	Japan Beer and Spirits	Manufacturing facilities	36,817	33,514	23,839 (2,669)	7,650	101,820	1,418 [88]
Kirin Beverage Company, Limited	Shutoken Regional Head Office (Chiyoda-ku, Tokyo)	Japan Non- alcoholic Beverages	Other facilities	12	—	—	6,502	6,514	183 [3]
Kirin Beverage Company, Limited	Shonan Plant (Samukawa- machi, Koza- gun, Kanagawa)	Japan Non- alcoholic Beverages	Manufacturing facilities	2,624	4,956	1,980 (74)	3,294	12,853	221 [23]
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki, Gunma)	Pharmaceuticals	Manufacturing facilities	11,906	7,571	315 (142)	13,167	32,960	456 [30]
Kyowa Kirin Co., Ltd.	Ube Plant (Ube, Yamaguchi)	Pharmaceuticals	Manufacturing facilities	3,583	2,049	—	1,272	6,905	194 [24]
Kyowa Kirin Co., Ltd.	Tokyo Research Park (Machida, Tokyo)	Pharmaceuticals	Research facilities	2,907	8	3,366 (35)	1,211	7,491	154 [4]
Kyowa Kirin Co., Ltd.	Fuji Research Park (Nagaizumi- cho, Suntou- gun, Shizuoka)	Pharmaceuticals	Research facilities	4,754	53	252 (82)	1,418	6,477	302 [2]
Kyowa Kirin Co., Ltd.	Head Office (Chiyoda-ku, Tokyo)	Pharmaceuticals	Administration facilities, etc.	4,587	1,010	1,247 (2)	278	7,122	1,090 [36]
Kyowa Hakko Bio Co., Ltd.	Yamaguchi Production Center (Hohu, Yamaguchi)	Others	Manufacturing facilities	—	—	433 (581)	6,233	6,666	545 [—]

(4) OVERSEAS SUBSIDIARIES

As of December 31, 2022

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.	34,654	67,408	21,169 (8,747)	7,882	131,113	2,739 [437]
Lion Global Craft Beverages Pty Ltd (Australia)	Oceania Adult Beverages	Manufacturing facilities, etc.	17,827	14,191	2,486 (478)	4,296	38,800	1,310 [32]
Coca-Cola Beverages Northeast, Inc. (USA)	Others	Manufacturing facilities, etc.	13,458	12,403	5,469 (1,388)	7,942	39,272	3,446 [39]

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

Notes:

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

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

Planned additions of major facilities as of the end of this fiscal year are as follows:

We have no planned retirements or other changes of major facilities.

Company name	Office (Location)	Segment	Description of facilities	Expected investment amount		Start date and expected completion date	
				Total amount (¥ millions)	Amount paid (¥ millions)	Start	Complete
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki, Gunma)	Pharmaceuticals	Establishment of a new bio-pharmaceutical analysis facility (Note 2)	14,000	5,719	October 2020	December 2023
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki, Gunma)	Pharmaceuticals	Establishment of a new bio-pharmaceutical API production facility	15,000	—	November 2022	January 2025
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki, Gunma)	Pharmaceuticals	Establishment of a new warehouse building	7,200	—	October 2023	October 2025

Notes:

1. We plan to procure the required funds above from cash on hand.
2. Construction of New Quality Building, which was scheduled to be completed in December 2022 as of the end of the previous fiscal year, was completed in December 2022. Construction of facilities and other work is continuing, and operations will begin sequentially.

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, 2022)	Number of shares outstanding as of filing date (shares) (March 30, 2023)	Name of financial instruments exchange on which securities are listed or authorized financial instruments firms association to which securities are registered	Description
Ordinary shares	914,000,000	914,000,000	The Tokyo Stock Exchange (Prime Market), the Nagoya Stock Exchange (Premier Market), 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, 2022

As of December 31, 2022

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)	4	170	47	1,950	762	394	314,253	317,580	—
Number of shares held (units)	145	2,794,755	559,116	296,900	2,429,142	1,252	3,043,310	9,124,620	1,538,000
Percentage of shareholdings (%)	0.00	30.63	6.13	3.25	26.62	0.01	33.35	100.00	—

Notes:

1. The number of treasury shares is 102,205,678, of which 1,022,056 units and 78 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, 2022

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	143,002	17.61
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku	53,064	6.53
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	4.06
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku	21,001	2.58
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)	15,314	1.88
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)	14,962	1.84
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)	12,725	1.56
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi-Kayabacho 1-chome, Chuo-ku	10,857	1.33
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON, MA 02111 U.S.A. (11-1, Nihonbashi 3-chome, Chuo-ku)	10,191	1.25
STATE STREET BANK AND TRUST COMPANY 505103 (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)	9,512	1.17
Total	—	323,627	39.86

Notes:

1. The Company holds 102,205 thousand treasury shares (11.18%), but is excluded from the major shareholders above.
2. Sumitomo Mitsui Trust Asset Management Co., Ltd. submitted a statement of large-volume holdings (statement of changes) on January 10, 2023 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, 2022, 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 30, 2022 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	31,532	3.45
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo	17,869	1.96
Total	—	49,401	5.40

3. Mitsubishi UFJ Financial Group, Inc. submitted a statement of large-volume holdings on January 6, 2023 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, 2022, 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 26, 2022 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	30,583	3.35
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	9,562	1.05
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo	6,764	0.74
Total	—	46,910	5.13

4. Nomura Securities Co., Ltd. submitted a statement of large-volume holdings (statement of changes) on September 22, 2022 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, 2022, 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 September 15, 2022 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	533	0.06
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	1,073	0.12
Nomura Asset Management Co., Ltd.	2-1, Toyosu 2-chome, Koto-ku, Tokyo	38,851	4.25
Total	—	40,458	4.43

5. 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, 2022, therefore, they are not included in the list of major shareholders above.

According to the statement of large-volume holdings (statement of changes), the shareholding status of the corporations as of August 13, 2021 is as follows:

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

(7) VOTING RIGHTS

1) Outstanding shares

As of December 31, 2022

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (other)	—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Ordinary shares 102,205,600	—	They are the Company's standard shares without any limitation on the rights of the shares. The number of shares constituting one unit is 100 shares.
Shares with full voting rights (other)	Ordinary shares 810,256,400	8,102,564	Same as above
Shares less than one unit	Ordinary shares 1,538,000	—	—
Total outstanding shares	914,000,000	—	—
Voting rights held by all shareholders	—	8,102,564	—

Notes:

1. "Shares with full voting rights (other)" of ordinary shares include 7,000 shares (voting rights of 70 units) registered in the name of Japan Securities Depository Center, Incorporated.
2. "Shares with full voting rights (other)" of ordinary shares include 1,965,900 shares (voting rights of 19,659 units) held in the Board Incentive Plan (BIP) Trust. The voting rights of 19,659 units are not exercised.
3. "Shares less than one unit" of ordinary shares include 78 treasury shares.

2) Treasury shares, etc.

As of December 31, 2022

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Shareholding ratio (%)
(Treasury shares) Kirin Holdings Company, Limited	10-2, Nakano 4-chome, Nakano-ku, Tokyo	102,205,600	—	102,205,600	11.18
Total	—	102,205,600	—	102,205,600	11.18

Note: The above treasury shares do not include 1,965,900 shares held in the BIP Trust.

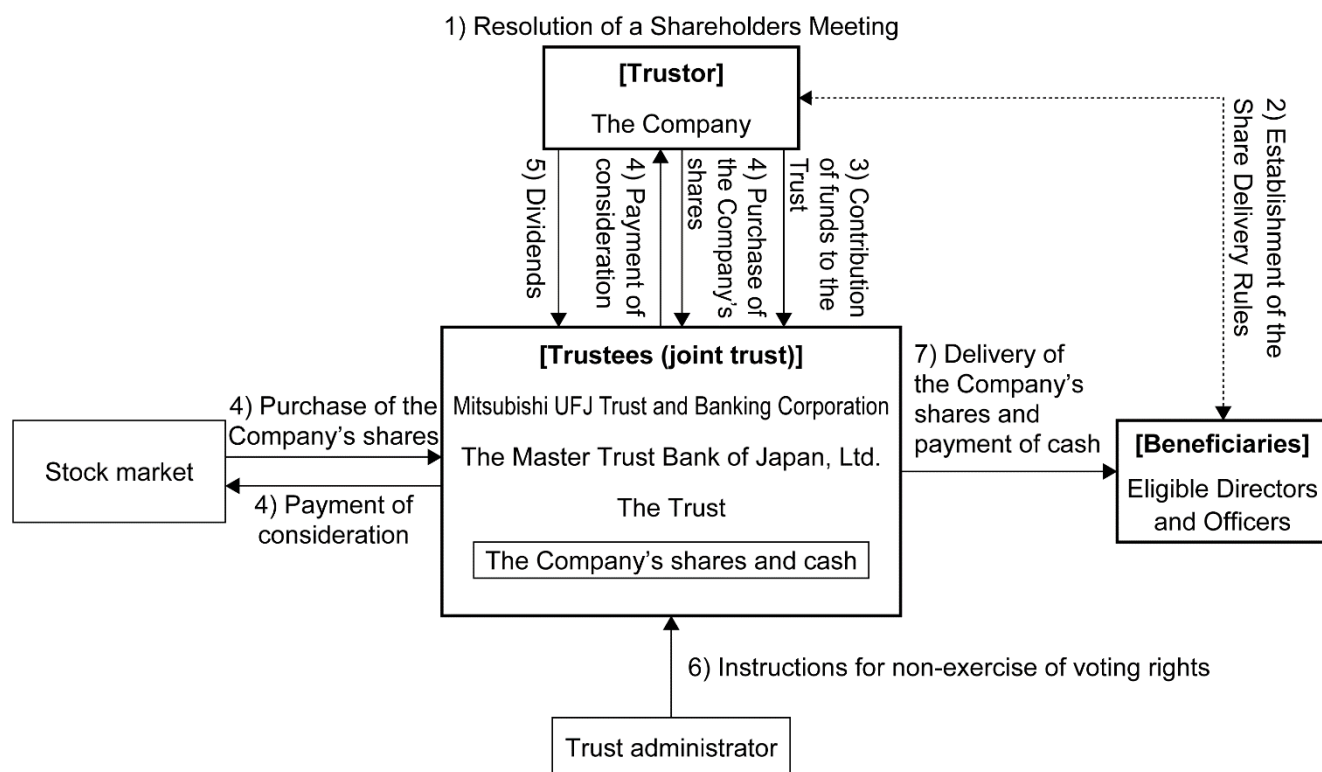
(8) SHARE OWNERSHIP PLAN FOR DIRECTORS, OFFICERS, AND EMPLOYEES

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

1) Outline of the Trust Plan

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

(i) Scheme of the Trust



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

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

(ii) Framework of the Trust Plan

The framework of the Trust Plan is as follows:

1) Resolution at the Shareholders Meeting regarding the Trust Plan

Matters necessary for the Trust Plan, including the upper limit of cash contributions by the Company, and the upper limit to the number of the Company's shares to be delivered, have been resolved at the Shareholders Meeting.

When the Trust is renewed as stipulated in 4) below, the Company shall, by way of resolution of the Board, amend the trust agreement and execute the contribution of additional funds to the Trust upon the expiry of the trust period within the limit approved by the resolution at the Shareholders Meeting.

2) Those eligible under the Trust Plan

The Company's Eligible Directors and Officers who are residents in Japan

3) Applicable period of the Trust Plan

The applicable period of the Trust Plan shall be the fiscal years covered by the Company's Medium-Term Business Plan (the "Applicable Period").

4) Trust period

The number of years corresponding to the Applicable Period in 3) above

* Upon expiry of the period of the Trust, the Company intends to continue operating the Trust Plan by either establishing a new Trust, or amending the trust agreement for the existing Trust whose trust period has expired and contributing additional funds to the Trust. In the latter case, the period of the Trust shall be extended in accordance with the number of years of the Applicable Period corresponding to the Company's Medium-Term Business Plan in place at the time.

* Upon expiration of the period of the Trust and, in the event that amendment to the trust agreement and contribution of additional funds to the Trust is decided against, such points shall no longer be granted to Eligible Directors and Officers. However, if any Grantee of Points exists who satisfies all beneficiary requirements at that point in time, the period of the Trust may be extended up to the completion of the Delivery of Company's Shares and Cash to that Grantee of Points.

5) Upper limit of the cash contribution by the Company

¥1,450 million per fiscal year

* On the first day of the Applicable Period, the Company shall contribute cash up to the amount calculated by multiplying ¥1,450 million by the number of fiscal years during the Applicable Period.

* This shall be the sum of the funds for the share acquisition by the Trust, the trust fees, and expenses during the trust period.

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

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

Specifically, the number of points shall be composed of 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 0.123% of the total number of the Company's shares outstanding (as of December 31, 2022, 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 Joint trustee: The Master Trust Bank of Japan, Ltd.
5)	Beneficiaries	Eligible Directors and Officers who have been granted points in accordance with the Company's Share Delivery Rules and have acquired beneficiary rights
6)	Trust administrator	A third party without interest in the Company (certified public accountant)
7)	Trust agreement date	May 15, 2020 (An amended agreement was entered into on May 12, 2022.)
8)	Trust period	From May 15, 2020 to June 30, 2025 (The period was extended for three years from June 30, 2022 by the amended agreement entered into on May 12, 2022.)
9)	Exercise of voting rights	Not to be exercised
10)	Class of shares to be acquired	Ordinary shares of the Company
11)	Total amount of shares to be acquired	¥3,093,606,000
12)	Method for acquiring shares	Acquired treasury shares of the Company through a third-party allotment
13)	Holder of vested rights	The Company
14)	Residual assets	If there are remaining shares upon termination of the trust, they will be realized after the Company's shares and the proceeds of the sale of the Company's shares held as trust assets are delivered and paid to all the beneficiaries. If the amount of cash held as a trust asset exceeds the total amount of trust fund less the share acquisition fund, which is equivalent to the trust expenses reserve, the excess amount shall be contributed to the organization stipulated in the trust agreement, and the amount not exceeding the amount equivalent to the trust expenses reserve shall be paid to the Company as holder of vested rights.

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

Up to 1,000,000 shares

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

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

2. ACQUISITION AND DISPOSAL OF TREASURY SHARES

CLASS OF SHARES, ETC. Acquisition of ordinary shares under Article 155, Item 3, 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, 2022	—	—
Treasury shares acquired during the fiscal year ended December 31, 2022	23,714,800	49,999,869
Total number and value of remaining treasury shares authorized	6,285,200	130
Percentage unused as of December 31, 2022 (%)	20.9	0.0
Treasury shares acquired during the period from January 1, 2023 until the filing date of this Annual Securities Report	—	—
Percentage unused as of the filing date (%)	20.9	0.0

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

Acquisition under Article 155, Item 7 of the Companies Act

Category	Number of shares (shares)	Total amount (¥ thousands)
Treasury shares acquired during the fiscal year ended December 31, 2022	8,849	18,412
Treasury shares acquired during the period from January 1, 2023 until the filing date of this Annual Securities Report	1,160	2,293

Note: Treasury shares acquired during the period from January 1, 2023 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, 2023 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, 2022	46,568	—
Treasury shares acquired during the period from January 1, 2023 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, 2022		From January 1, 2023 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)	589	1,178	4	7
Other (treasury shares that were disposed of through a third-party allotment as a result of the introduction of the BIP Trust Plan)	1,593,000	3,093,606	—	—
Treasury shares held	102,205,678	—	102,206,834	—

Notes:

1. “Other (shares acquired due to requests for additional purchase of shares less than one unit)” during the period from January 1, 2023 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, 2023 to the filing date of this Annual Securities Report.
2. “Treasury shares held” during the period from January 1, 2023 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, 2023 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 FY2022, 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 ¥36.5 per share, for an annual dividend totaling ¥69 per share.

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

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

Date of resolution by the Board of Directors:	August 8, 2022
Total amount of dividends:	¥26,751 million
Dividend paid per share:	¥32.5
Date of resolution by General Meeting of Shareholders:	March 30, 2023
Total amount of dividends:	¥29,630 million
Dividend paid per share:	¥36.5

4. CORPORATE GOVERNANCE

(1) OVERVIEW OF CORPORATE GOVERNANCE

1) Basic views on corporate governance

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

The Group recognizes that collaboration with stakeholders is essential to realizing “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

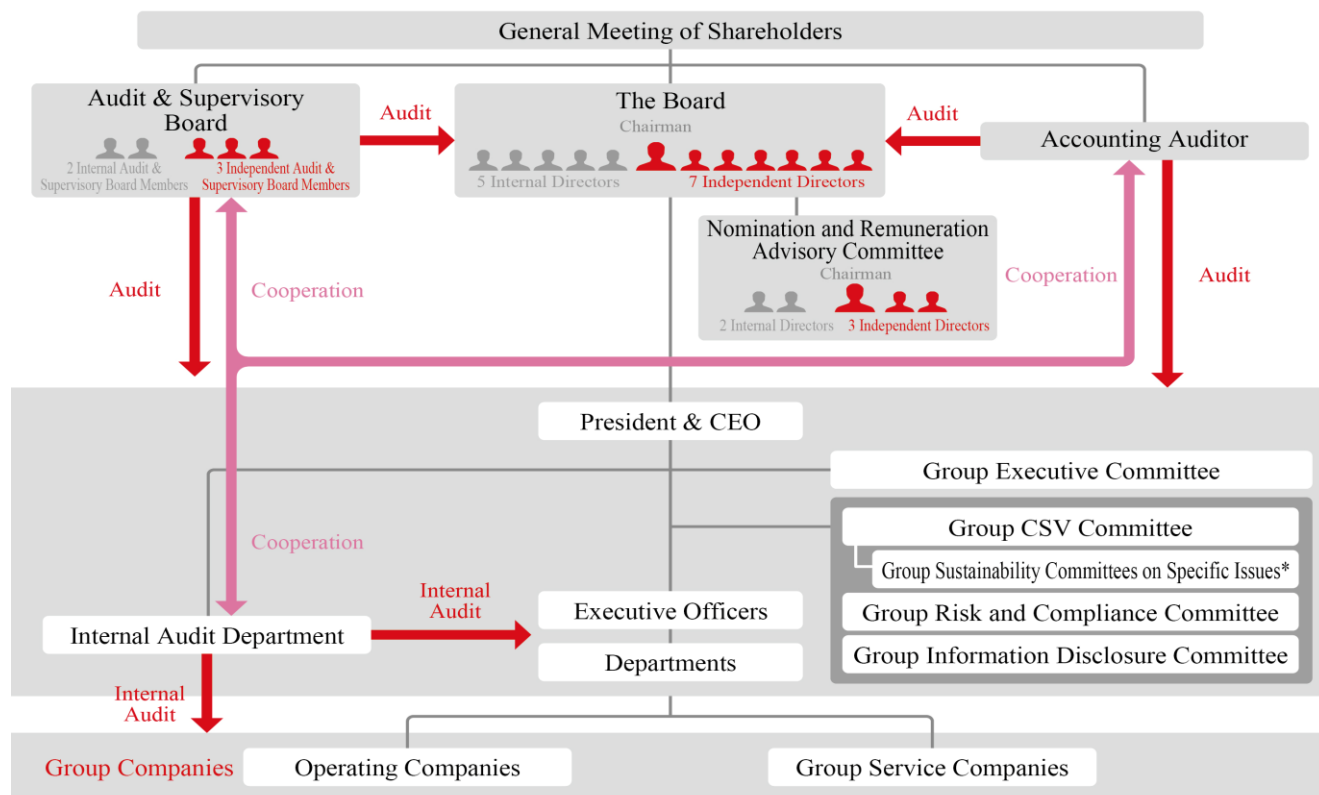
“One KIRIN” Values:

“Passion. Integrity. Diversity.”

2) Corporate governance system

The Company’s corporate governance system is as follows:

<Corporate Governance Structure>



* 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 ten (10) Group companies: Kirin Brewery Company, Limited; Kirin Beverage Company, Limited; Mercian Corporation; Lion Pty Ltd; Coca-Cola Beverages Northeast, Inc.; Kyowa Kirin Co., Ltd.; Kyowa Hakko Bio Co., Ltd.; San Miguel Brewery Inc.; 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, Takeshi Minakata, Junko Tsuboi, 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), Shinya Katanozaka (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:
Shobu Nishitani, Toru Ishikura, 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:
Hiroaki Takaoka (Chairperson), Yoshinori Isozaki, Keisuke Nishimura, Toshiya Miyoshi, Takeshi Minakata, Junko Tsuboi, Ryosuke Mizouchi, Masao Maehara, Shinjiro Akieda, Koji Fukada, Mitsuharu Yamagata, Shobu Nishitani, Toru Ishikura

(v) Other bodies advising 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 an internal control over financial 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 stipulate 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 stipulate that resolution requirements for the election of Directors of the Board shall be adopted by the presence of holders of one third or more of the voting rights held by all shareholders entitled to exercise their voting rights and a majority of the voting rights of the shareholders so present, and that no cumulative voting shall be used for the election.

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

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

6) Outline of Contracts for Limitation of Liability

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with each Non-executive Director and Audit & Supervisory Board Member to limit their liability for damages set forth in Article 423, Paragraph 1 of the 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 the Company's Indemnification Agreement

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

8) 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.

9) 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.

10) 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.

11) 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

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

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
Representative Director 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	64,648
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 February 2022 March 2023	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 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 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) Director & Chairman of Myanmar Brewery Limited (resigned in January 2023) Director of Kirin Brewery Company, Limited (present position)	*1	61,006
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	24,247
Director of the Board Senior Executive Officer	Takeshi Minakata	December 31, 1961	April 1984 March 2012 January 2013 March 2015 March 2016	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)	*1	7,135

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
			April 2016 March 2018 March 2020 March 2022 April 2022	President and CEO of Myanmar Brewery Limited Executive Director of the Board, President & Chief Executive Officer of Kyowa Hakko Bio Company, Limited. (resigned in December 2021) Senior Executive Officer of the Company Director of the Board, Senior Executive Officer of the Company Director of Kyowa Kirin Company, Limited (present position) Director of the Board, Senior Executive Officer, President of the Health Science Division of the Company (present position)		
Director of the Board Senior Executive Officer	Junko Tsuboi	August 8, 1962	April 1985 March 2005 March 2010 March 2012 November 2012 January 2013 March 2014 March 2019 June 2020 March 2022 March 2023	Joined the Company General Manager of Corporate Communication Dept. of Kirin Beverage Company, Limited Director of the Board, President and CEO of Yokohama Akarenga Inc. General Manager of CSR Promotion Dept. and Corporate Communication Dept. of the Company General Manager of Corporate Communication Dept. of the Company General Manager of Strategic Branding Dept., CSV Division of Kirin Company, Limited Executive Officer, General Manager of Strategic Branding Dept., CSV Division of Kirin Company, Limited Senior Executive Officer, General Manager of Strategic Branding Dept. of the Company Outside Director of FANCL Corporation (present position) Senior Executive Officer of the Company Director of the Board, Senior Executive Officer of the Company (present position)	*1	18,631
Director of the Board	Masakatsu Mori	January 22, 1947	April 1969 February 1989 December 1995 April 2003 September 2005 September 2007 October 2009 October 2012 November 2013 March 2015 April 2018 March 2019	Joined Arthur Andersen, LLP Japan Representative of Andersen Consulting (currently Accenture Japan Ltd.) President and Management Director of Andersen Consulting Chairman and Management Director of Accenture Japan Ltd. Chairman and Director of Accenture Japan Ltd. Chief Corporate Advisor of Accenture Japan Ltd. President of International University of Japan Trustee of International University of Japan Vice Chairman of International University of Japan Audit & Supervisory Board Member of the Company Senior Advisor of International University of Japan (present position) Non-executive Director of the Company (present position)	*1	21,700
Director of the Board	Hiroyuki Yanagi	November 20, 1954	April 1978 March 2010 January 2018 March 2019 March 2021 January 2022 March 2022	Joined Yamaha Motor Co., Ltd. President, Chief Executive Officer and Representative Director of Yamaha Motor Co., Ltd. Chairman and Representative Director of Yamaha Motor Co., Ltd. Non-executive Director of the Company (present position) Chairman and Director of Yamaha Motor Co., Ltd. Director of Yamaha Motor Co., Ltd. Adviser of Yamaha Motor Co., Ltd. (present position)	*1	4,100

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 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. 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	1,700
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	8,189
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, Judge Business School, University of Cambridge Senior Fellow, Judge Business School, University of Cambridge Guest Professor, Faculty of Business and Commerce, Keio University Non-executive Director of the Company (present position)</p>	*1	2,300
Director of the Board	Shinya Katanozaka	July 4, 1955	<p>April 1979 April 2013 April 2015 April 2022 March 2023</p>	<p>Joined ALL NIPPON AIRWAYS CO., LTD. (currently ANA HOLDINGS INC.) Representative Director, Senior Executive Vice President of ANA HOLDINGS INC. Representative Director, President & Chief Executive Officer of ANA HOLDINGS INC. Chairman of the Board of Directors of ANA HOLDINGS INC. (present position) Non-executive Director of the Company (present position)</p>	*1	—
Standing Audit & Supervisory Board Member	Shobu Nishitani	November 29, 1963	<p>April 1987 October 2011 March 2014 March 2016 April 2016 March 2017 April 2019 March 2022</p>	<p>Joined the Company Director of San Miguel Brewery Inc. Group Finance Director of the Company Director of Lion Pty Ltd General Manager of Accounting Dept. of Kirin Company, Limited Executive Officer and General Manager of Accounting Dept. of Kirin Company, Limited Executive Officer and General Manager of Internal Audit Dept. of the Company Standing Audit & Supervisory Board Member of the Company (present position) Audit & Supervisory Board Member of Kyowa Hakko Bio Company, Limited. (present position)</p>	*3	5,008
Standing Audit & Supervisory Board Member	Toru Ishikura	November 30, 1963	<p>April 1989 March 2015 April 2015 March 2018</p>	<p>Joined the Company General Manager of Technology Management Dept. of Research & Development Division of Kirin Company, Limited General Manager of Research & Development Strategy Dept. of Research & Development Division of Kirin Company, Limited Executive Officer, General Manager of Research & Development Strategy Dept. of Research & Development Division of Kirin Company, Limited</p>	*4	4,700

Title	Name	Date of birth	Profile		Term of office	Number of shares held (shares)
			April 2019 March 2020 April 2020 April 2022 March 2023	Executive Officer, Vice President of Research & Development Division and General Manager of Research & Development Strategy Dept. of the Company Director of the Board, Kyowa Hakko Bio Company, Limited. Executive Officer, General Manager of Health Business Strategy Office, Corporate Strategy Dept. of the Company Executive Officer, General Manager of Health Science Business Dept., Health Science Business Division of the Company (Present Position) Standing Audit & Supervisory Board Member of the Company (present position) Audit & Supervisory Board Member of Kyowa Kirin Company, Limited (present position)		
Audit & Supervisory Board Member	Yoshiko Ando	March 17, 1959	April 1982 April 2003 July 2006 July 2011 July 2013 July 2014 October 2015 June 2016 July 2017 March 2019	Entered the Ministry of Labor Lieutenant Governor of Shiga Prefecture Director of Equal Employment Policy Div. of Equal Employment, Children and Families Bureau of the Ministry of Health, Labour and Welfare (MHLW) Director-General of the Saitama Labor Bureau of MHLW Director-General of Industrial Accident Compensation Department of Labour Standards Bureau of MHLW Director-General of Equal Employment, Children and Families Bureau of MHLW Director-General for Labour Policy Planning of MHLW Director-General for Statistics and Information Policy of MHLW Director-General for Human Resources Development of MHLW Audit & Supervisory Board Member of the Company (present position)	*4	5,100
Audit & Supervisory Board Member	Kaoru Kashima	January 20, 1958	November 1981 April 1985 June 1996 June 2002 July 2006 September 2010 July 2012 July 2013 March 2020	Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC) Registered as a certified public accountant Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Senior Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC) In charge of personnel of HR Development Headquarters of ShinNihon & Co. Managing Director of Ernst & Young ShinNihon LLC In charge of Corporate Culture Promotion Office, Public Relations Office General Manager of Knowledge Headquarters, Managing Director of Ernst & Young ShinNihon LLC Representative Director of Ernst & Young Institute Co., Ltd. Audit & Supervisory Board Member of the Company (present position)	*2	—
Audit & Supervisory Board Member	Kenichi Fujinawa	February 18, 1955	April 1980 October 1988 January 2000 January 2004 January 2015 January 2020 March 2022	Registered as lawyer in Japan Joined Nagashima & Ohno Partner of Nagashima & Ohno Partner of Nagashima Ohno & Tsunematsu Managing Partner of Nagashima Ohno & Tsunematsu Chairman of Nagashima Ohno & Tsunematsu Senior Counsel of Nagashima Ohno & Tsunematsu (present position) Audit & Supervisory Board Member of the Company (present position)	*3	—

Notes:

1. Mr. Masakatsu Mori, Mr. Hiroyuki Yanagi, Ms. Chieko Matsuda, Ms. Noriko Shiono, Mr. Rod Eddington, Mr. George Olcott, and Mr. Shinya Katanozaka 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, 2023 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2023
 - *2 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
 - *3 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 From the close of the Ordinary General Meeting of Shareholders held on March 30, 2023 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2026
4. The Company has eight (8) Executive Officers, in addition to the above Directors of the Board and Audit & Supervisory Board Members.

Senior Executive Officer	CSV Strategy	Ryosuke Mizouchi
Senior Executive Officer	SCM Strategy, Production Technology Strategy	Masao Maehara
Senior Executive Officer	Financial Strategy, IR	Shinjiro Akieda
Senior Executive Officer	President of R&D Division of the Company, R&D Strategy, Chief Quality Assurance Officer	Koji Fukada
Senior Executive Officer	Brand Strategy, Marketing Strategy, Digital & IT Strategy, Senior Executive Vice President of Kirin Brewery Company, Limited (in charge of Marketing)	Mitsuharu Yamagata
Senior Executive Officer	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 Company, Limited.	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. Shinya Katanozaka, and Audit & Supervisory Board Members Ms. Yoshiko Ando, Ms. Kaoru Kashima, and Mr. Kenichi Fujinawa as independent officers as required by the provisions of the Tokyo Stock Exchange, Inc., etc. prescribes. Personal, capital, business relationships or other special interests between Non-executive Officers and the Company are as follows:

- Non-executive Directors Mr. Masakatsu Mori, Mr. Hiroyuki Yanagi, Ms. Chieko Matsuda, Ms. Noriko Shiono, Mr. Rod Eddington, Mr. George Olcott and Mr. Shinya Katanozaka 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. Shobu Nishitani and Ms. Kaoru Kashima as the Audit & Supervisory Board Members who have substantial knowledge of finance and accounting. Mr. Shobu Nishitani has been engaged in finance and accounting in the Company and Group companies since joining the Company. He assumed the current position in 2022 after assuming the office of the Executive Officer and General Manager of Accounting Dept. of Kirin Company, Limited in 2017. Ms. Kaoru Kashima has been engaged in practice as a certified public accountant for number of years and is an expert with substantial knowledge and experience in finance and accounting. She assumed the current position in 2020.

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

The Company held a total of 15 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	6 out of 6 meetings (100%)
Standing Audit & Supervisory Board Member	Keiji Kuwata	15 out of 15 meetings (100%)
Standing Audit & Supervisory Board Member	Shobu Nishitani	9 out of 9 meetings (100%)
Audit & Supervisory Board Member	Nobuo Nakata	6 out of 6 meetings (100%)
Audit & Supervisory Board Member	Yoshiko Ando	15 out of 15 meetings (100%)
Audit & Supervisory Board Member	Kaoru Kashima	15 out of 15 meetings (100%)
Audit & Supervisory Board Member	Kenichi Fujinawa	9 out of 9 meetings (100%)

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

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 Accounting Auditor 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 25 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 major 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
48 years

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

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

(iv) Composition of assistants who supported audit duties
Certified public accountants: 25; Others: 45

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

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

4) Audit remuneration

(i) Remuneration of the Accounting Auditor

Category	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
	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	207	59	211	16
Consolidated subsidiaries	328	4	344	4
Total	535	62	555	19

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).

Fiscal year ended December 31, 2022:

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

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

Category	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
	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	13	23	14	33
Consolidated subsidiaries	445	53	510	113
Total	458	76	524	145

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.

Fiscal year ended December 31, 2022:

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

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

(iii) Policy for determining audit remuneration

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

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

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

(4) OFFICERS' REMUNERATION, ETC.

1) Policy for determining officers' remuneration, etc.

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

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

- (a) The Company shall establish a remuneration structure that emphasizes the linkage of remuneration with business performance and medium- to long-term corporate value and share value with the shareholders.
- (b) Remuneration levels shall be appropriate for the roles and responsibilities of the Kirin Group's officers.
- (c) Remuneration shall be deliberated by the Nomination and Remuneration Advisory Committee, of which independent Non-executive Directors shall constitute the majority, in order to ensure objectivity and transparency.

(ii) Remuneration structure and recipients, etc.

Remuneration for the Company's officers is composed of three parts: basic remuneration which is fixed remuneration; bonus as a short-term incentive, which is performance-linked remuneration; and stock-based remuneration as a medium- to long-term incentive. Below is the outline of remuneration structure and recipients (including 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 and reasons for adopting the indicators	Persons eligible for the payment	
				Directors of the Board (excluding Non-executive Directors) and Executive Officers*6	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 FY2023 are provided in "2) Remuneration, etc. for FY2023."	○	—
	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*3, the Single-Year PSU*4 and the Medium-Term Plan PSU*5, 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 	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 FY2023 are provided in "2) Remuneration, etc. for FY2023."	○	—

		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.			
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*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 Restricted Share Unit, which has no performance conditions attached

*4 Performance Share Unit, which is linked to the degree of achievement of performance in a single fiscal year

*5 Performance Share Unit, which is linked to the degree of achievement of Medium-Term Business Plan's goals in multiple fiscal years

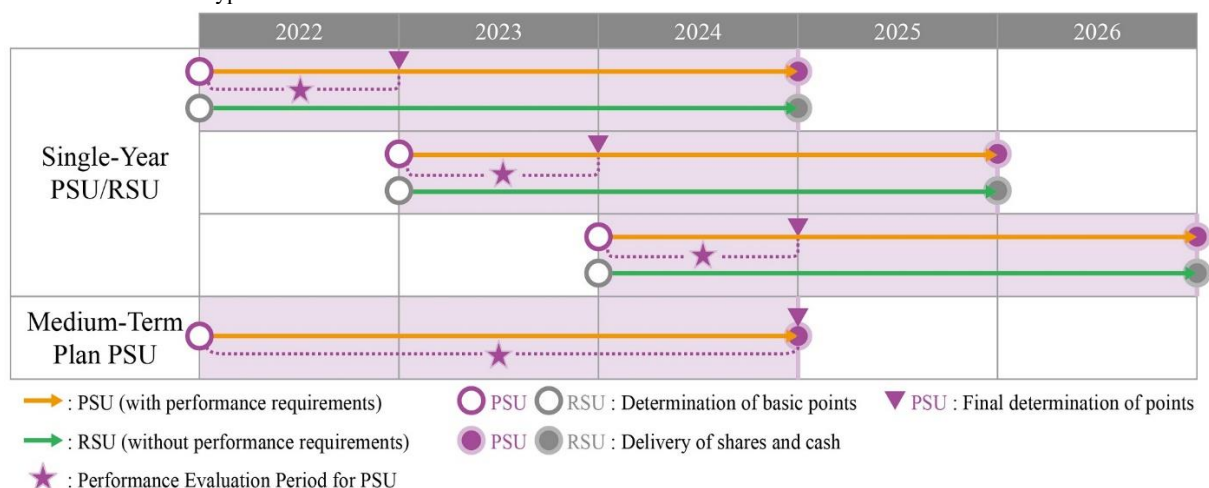
*6 Excluding those concurrently serving as Directors of the Board, and those in an employment relationship with the Company.

Outline of the trust-type stock compensation plan

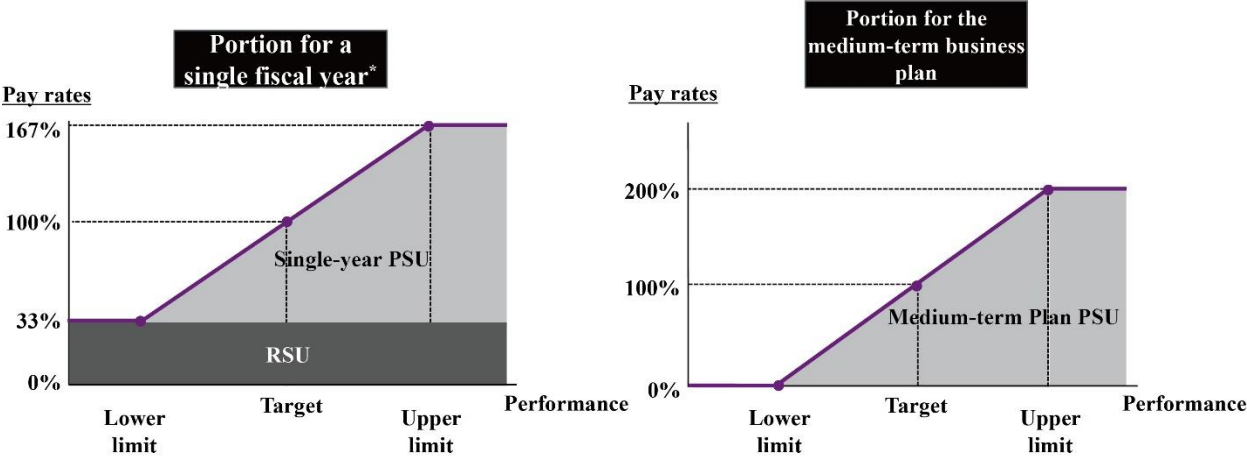
	Number of points*	Timing of granting of points	Timing of delivery of shares and cash
RSU	Fixed points	After the end of each fiscal year	At a certain point in time after the lapse of three years from the start of each performance evaluation period (each fiscal year)
Single-Year PSU	The number calculated 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 determination of the number of points, and timing of delivery of shares and cash under the trust-type stock-based remuneration



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



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

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

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

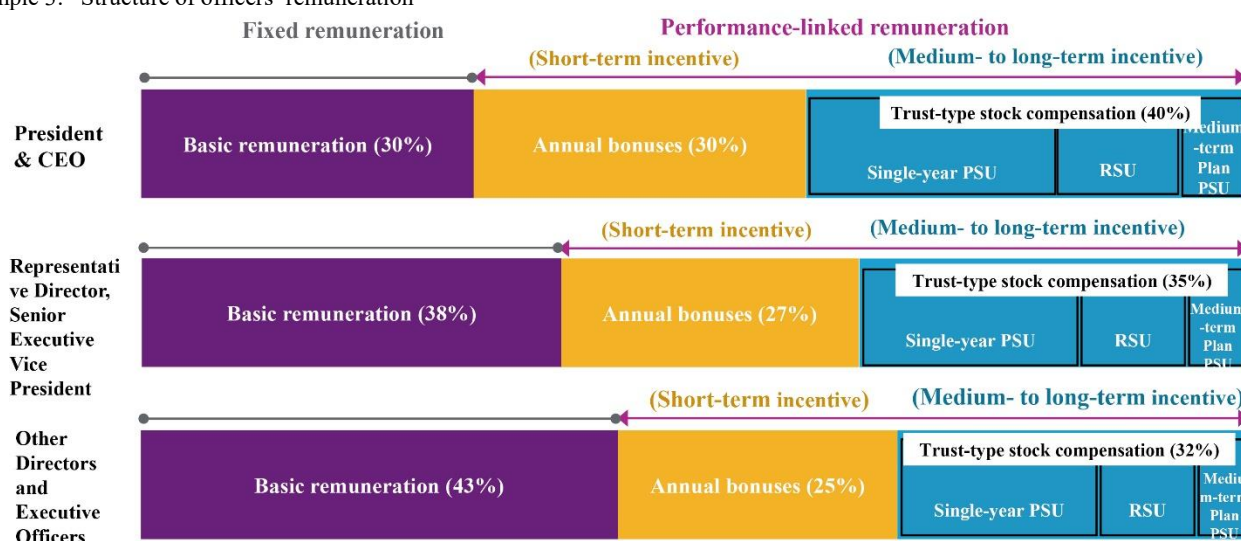
- Establishment of remuneration levels

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.

Subsequently, remuneration for Directors of the Board is determined by the Board of Directors, and remuneration for Audit & Supervisory Board Members is determined in consultation with Audit & Supervisory Board Members based on reports submitted by the Nomination and Remuneration Advisory Committee within the remuneration limit resolved in advance by 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 evaluation indicators and targets; please refer to (iv) above), and the evaluation results depending on the degree of achievement of them and the individual payment ratio regarding the individual performance evaluation, is delegated to the Nomination & Remuneration Advisory Committee in order to ensure objectivity and transparency. 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 for the individual performance evaluation, which are then reported to the Board in a timely and appropriate manner.

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

(a) Composition of the Nomination and Remuneration Advisory Committee

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

- Chairperson: 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 the matters described above. It also holds meetings as necessary when changes occur in the environment such as those for laws and regulations for officers' remuneration. When necessary, outside advisors may attend the Committee's meetings.

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

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

(vii) Other important matters

Notwithstanding (i) through (v) above, in the event of unexpected, extraordinary factors or events (including, but not limited to, natural disasters, sharp fluctuations in foreign exchange rates, misconducts, and organizational restructuring), the Board may, at their discretion,

resolve to determine remuneration, etc. for Directors of the Board (excluding Non-executive Directors) and Executive Officers that may differ from that set forth above, after extraordinary deliberations by the Nomination and Remuneration Advisory Committee as necessary.

2) Remuneration, etc. for FY2023

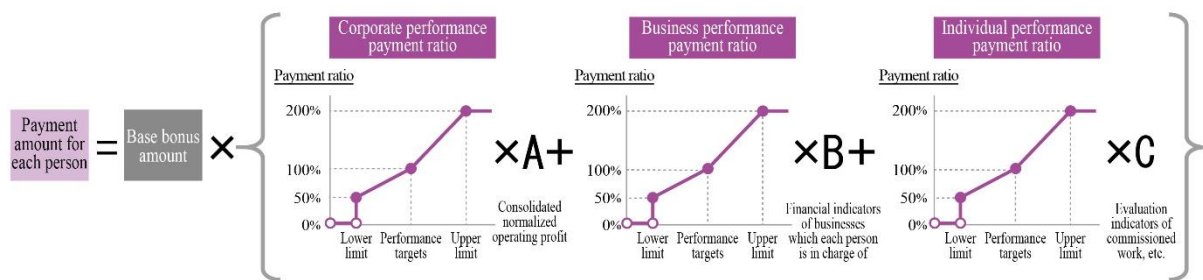
According to the policy described in 1) above, the performance evaluation indicators, calculation methods, etc. for performance-linked remuneration for FY2023 were determined as below. When evaluating the degree of achievement of performance indicators, the impact of exchange fluctuations, etc. for each 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 a Director or an Executive Officer concurrently serves as operating company president or officer in charge of Health Science Strategy, relevant business performance evaluation indicators (normalized operating profit, etc.) are additionally taken into consideration. Evaluation ratios, fluctuation range of pay rates, and performance targets for FY2023 are as follows:

Performance evaluation indicators	Evaluation ratio				Fluctuation range of pay rates	Performance targets	
	President & CEO	Representative Director, Senior Executive Vice President	Directors and Executive Officers concurrently serving as operating company president, etc.	Other Directors of the Board, etc. and Executive Officers			
Corporate performance evaluation (A) (consolidated normalized operating profit)	70%	60%	20%	50%	0%–200%	Upper limit	¥230.4 billion
						Base	¥192.0 billion
						Lower limit	¥153.6 billion
Business performance evaluation (B) (revenue from Health Science Domain)	—	—	40%	—	0%–200%	Upper limit	¥132.0 billion
						Base	¥120.0 billion
						Lower limit	¥108.0 billion
Individual performance evaluation (C)	30%	40%	40%	50%	0%–200%	Performance targets are determined according to 1) (iv) above.	

Sample 4: Mechanism for linkage of bonuses to performance



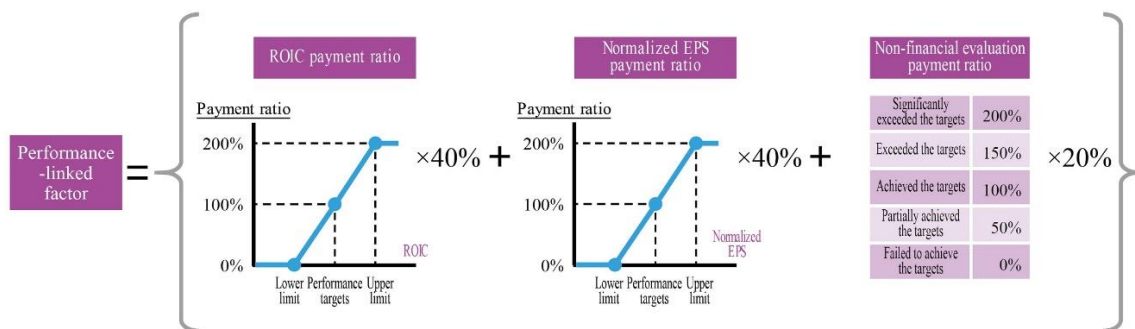
(ii) Trust-type stock compensation (Single-Year PSU and Medium-Term Plan PSU)

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

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

Performance evaluation indicators	Evaluation ratio	Fluctuation range of pay rates	Performance targets	
			Single-Year PSU	Medium-Term Plan PSU
ROIC	40%	0%–200%	Upper limit	12.8%
			Base	8.5%
			Lower limit	4.2%
Normalized EPS (CAGR within the period of the Medium-Term Business Plan for the Medium-Term Plan PSU)	40%	0%–200%	Upper limit	¥197
			Base	¥171
			Lower limit	¥145
Non-financial evaluation	20%	0%–200%	Performance targets are determined according to 1) (iv) above, taking into consideration specific indicators and qualitative aspects in the three items: “the Environment,” “Health and Well-being,” and “Employees.”	

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



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

(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 instead of the trust-type stock compensation plan. 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 (FY2022)

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

The Nomination and Remuneration Advisory Committee held a total of 13 meetings during this fiscal year. The Committee deliberated on the operation of the current officers' remuneration system to align with the Medium-Term Business Plan (non-financial evaluation method, etc.). The Committee also deliberated on the appropriateness of the system (verification of compensation levels and performance-linked ratios, etc.) Remuneration consultants outside the Company attended 3 out of the 13 meetings, and provided advice and information from an objective and independent standpoint. The Committee regularly reported its deliberations and provided recommendations to the Board. Major matters of officers' remuneration discussed at meetings of the Nomination and Remuneration Advisory Committee and the Board held during this fiscal year are as follows:

(a) Officers' remuneration for FY2021

- 1 Decisions about the amount of bonuses paid based on the FY2021 performance and points granted for trust-type stock compensation

(b) Officers' remuneration for this fiscal year (FY2022)

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

(c) Officers' remuneration for FY2023

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

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

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

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

Officer type	Total amount of remuneration, etc. (¥ millions)	Total amount (¥ millions) of remuneration, etc. 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)	707	277	6	278	5	—	—	151	6
Audit & Supervisory Board Members (excluding Non-standing Audit & Supervisory Board Members)	75	75	3	—	—	—	—	—	—
Non-executive Officers	Non-executive Directors	138	7	—	—	—	—	—	—
	Non-standing Audit & Supervisory Board Members	57	4	—	—	—	—	—	—
Total	976	546	20	278	5	—	—	151	6

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 and two (2) Audit & Supervisory Board Members who retired as of March 30, 2022.
- 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.
- Amounts are rounded to the nearest ¥1 million.

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

Name	Officer type	Total amount of remuneration, etc. (¥ millions)	Amount of remuneration, etc. by type (¥ millions)		
			Fixed remuneration	Performance-linked remuneration	
			Monetary remuneration		Non-monetary remuneration
			Basic remuneration	Bonus	Trust-type stock-based remuneration
Yoshinori Isozaki	President & CEO	302	101	130	70
Keisuke Nishimura	Representative Director, Senior Executive Vice President	150	62	56	32

Notes:

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

Bonuses							
Performance evaluation indicators	Evaluation ratio	Fluctuation range of pay rates	Performance targets		Actual results	Pay rate for each indicator	Final pay rate
Corporate performance evaluation (Consolidated normalized operating profit)	20%–70%	0%–200%	Upper limit	¥199.2 billion	¥171.3 billion	116.0%	105.4%–158.0%
			Base	¥166.0 billion			
			Lower limit	¥132.8 billion			
Business performance evaluation (Revenue in Health Science domain)	40%	0%–200%	Upper limit	¥121.0 billion	¥100.2 billion	55.6%	
			Base	¥110.0 billion			
			Lower limit	¥99.0 billion			
Individual performance evaluation	30%–50%	0%–200%	Decided based on evaluation indicators of commissioned work, etc. for each person.			150%–200%	

Notes:

1. When evaluating the degree of achievement of corporate performance evaluation and business 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.
2. Individual performance evaluation was determined by the method described in 1) (v) above.

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

Performance evaluation indicators	Evaluation ratio	Fluctuation range of pay rates	Performance targets		Actual results	Pay rate for each indicator	Final pay rate
ROIC	40%	0%–200%	Upper limit	12.5%	7.8%	88.0%	90.5%
			Base	8.3%			
			Lower limit	4.1%			
Normalized EPS	40%	0%–200%	Upper limit	¥181	¥153	83.3%	
			Base	¥157			
			Lower limit	¥133			
Non-financial indicators	20%	0%–200%	The following evaluations were made for each indicator in three categories: Environment, Health, and Employees		A	110.0%	

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

[Non-financial Evaluation]

Category	Evaluation	Background of evaluation for each category	Overall evaluation
Environment	Almost as expected	<p>Among the key indicators below, the Company has made remarkable progress toward the 2024 target for reducing GHG emissions, and has received high external recognition for its initiatives and information disclosure on climate change and water security. Despite the impact of force majeure on some of the other indicators, it was evaluated as progressing smoothly.</p> <ul style="list-style-type: none"> • GHG emission reduction rate: 18%* • Recycled resin usage rate for PET bottle resin: 8% • Basic unit of water usage at manufacturing sites with high water stress: 3.7 kl/kl 	Taking into account (1) the evaluation of each item on the left, and (2) achievement status of CSV commitment and internal control indicators by function, as well as improvement and achievement of the highest level of awards, etc. at ESG-related evaluations in major external evaluation organizations and media rankings, the overall rating is set at "A" and the payout rate is set at 110%
Health	Almost as expected	<p>While the following achievements were the main factors evaluated, the Company also evaluated the overall performance of its products and R&D in the Health & Well-being domain including the achievement of high external recognition.</p> <ul style="list-style-type: none"> • Further acceleration of efforts to “support for the maintenance of immune function” is required toward the 2024 target. • “New value creation in immunology, brain function, and intestinal environment areas” is making good progress as the Company planned. • “The promotion of collaboration with the Pharmaceuticals domain” is generally progressing as planned. 	
Employees	Almost as expected	<p>Among the key indicators below, frequency rate of accidents requiring time off from work shows remarkable progress towards the 2024 target. For other indicators, while further acceleration of efforts is required, the Company assessed that progress is generally in line with the plan. For instance, the promotion of women's activities and health management initiatives received high external recognition.</p> <ul style="list-style-type: none"> • Employee engagement score: 70% • Progress in achieving “Increased diversity” (ratio of female managers in Japan: 10.6%, ratio of employing experienced persons in Japan: 27.3%) • Frequency rate of accidents that require time off from work: 0.90* 	

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

4) Provisions resolved by a general meeting of shareholders

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

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

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

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

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

(5) SHAREHOLDINGS

1) Standard and policy on classification of investment shares

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

2) Investment shares held for purposes other than pure investment

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

(i) Policy on shareholding

The Kirin Group's Corporate Governance Policy stipulates:

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

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

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

(iii) Number of issues and balance sheet amount

(a) Kirin Holdings Company, Limited

	Number of issues	Balance sheet amount (¥ millions)
Unlisted shares	23	4,607
Shares other than unlisted shares	1	386

Issues whose number of shares increased during the fiscal year ended December 31, 2022

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

Issues whose number of shares decreased during the fiscal year ended December 31, 2022

	Number of issues	Total sale amount for decreased shares (¥ millions)
Unlisted shares	2	20
Shares other than unlisted shares	1	1,964

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	83	3,996
Shares other than unlisted shares	51	29,733

Issues whose number of shares increased during the fiscal year ended December 31, 2022

	Number of issues	Total acquisition cost for increased shares (¥ millions)	Reason for increase in number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	4	7	To maintain and strengthen the business relationship and thereby contribute to increasing the Company's brand value

Issues whose number of shares decreased during the fiscal year ended December 31, 2022

	Number of issues	Total sale amount for decreased shares (¥ millions)
Unlisted shares	1	0
Shares other than unlisted shares	16	1,600

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

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

(a) Kirin Holdings Company, Limited

Specified investment shares

Issues	At December 31, 2022	At December 31, 2021	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)		
Nightingale Health Oyj	2,702,077	2,702,077	Shares are held to maintain and strengthen business relationships, including the development of business in Japan for the company's services.	No
	386	1,296		
MITSUBISHI ESTATE CO., LTD.	—	1,063,548	Shares were held to maintain and strengthen marketing policy and other business relationships, but sold during this fiscal year.	Yes
	—	1,696		

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 30, 2023 for all cross-shareholdings as of the end of this fiscal year, to determine whether to continue each cross-shareholding or not.

There are no deemed holdings of shares.

(b) Kirin Brewery Company, Limited
Specified investment shares

Issues	At December 31, 2022	At December 31, 2021	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
	5,365	5,431		
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
	5,090	5,037		
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
	4,111	3,893		
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
	2,136	1,913		
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
	1,188	972		
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
	1,159	1,115		
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
	1,125	1,176		
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
	1,042	982		
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
	751	840		
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
	738	773		

Issues	At December 31, 2022	At December 31, 2021	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
	732	740		
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
	661	486		
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
	602	566		
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
	523	470		
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
	426	432		
DAIICHIKOSHO 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.	Yes
	398	348		
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
	378	297		
West Japan Railway Company	60,000	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
	344	481		
Kakuyasu Co., Ltd.	216,000	216,000	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
	280	315		
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
	210	201		

Issues	At December 31, 2022	At December 31, 2021	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)		
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
	196	203		
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
	186	208		
Kintetsu Group Holdings Co., Ltd.	41,569	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
	181	265		
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
	166	167		
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
	165	164		
Rock Field Co., Ltd.	102,200	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
	154	219		
AEON Co., Ltd.	52,077	50,553	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
	145	137		
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
	140	104		
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
	136	140		
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
	128	130		
KAMEI CORPORATION	85,400	128,100	Shares are held to obtain information on the distribution industry, etc.	Yes
	104	134		

Issues	At December 31, 2022	At December 31, 2021	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)		
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
	100	98		
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
	79	72		
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
	77	68		
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
	66	65		
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
	58	54		
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
	53	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
	52	43		
YAMAE GROUP HOLDINGS CO., LTD.	34,964	33,199	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
	51	35		
ITOCHU-SHOKUHIN Co., Ltd.	10,000	10,000	Shares are held to obtain information on the distribution industry, etc.	Yes
	49	50		
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
	39	36		
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
	39	40		

Issues	At December 31, 2022	At December 31, 2021	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)		
NAKAMURAYA CO., LTD.	8,500	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
	26	60		
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
	24	23		
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
	13	14		
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		
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
	12	14		
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
	9	8		
KANSAI FOOD MARKET LTD.	6,600	6,600	Shares are held to obtain information on consumer needs and industry trends to help develop our brand.	No
	8	7		
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.	715	504	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	2		
H2O RETAILING CORPORATION	—	428,664	Shares were held to obtain information on consumer needs and industry trends to help develop our brand, but sold during this fiscal year.	No
	—	347		
JALUX Inc.	—	2,000	Shares were 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, but sold during this fiscal year.	No
	—	5		
OKUWA Co., Ltd.	—	12,695	Shares were held to obtain information on consumer needs and industry trends to help develop our brand, but sold during this fiscal year.	No
	—	12		
Joyfull Co., Ltd.	—	31,460	Shares were 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, but sold during this fiscal year.	No
	—	25		

Issues	At December 31, 2022	At December 31, 2021	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)		
YAMANAKA CO., LTD.	—	10,000	Shares were held to obtain information on consumer needs and industry trends to help develop our brand, but sold during this fiscal year.	No
	—	7		
LIFE CORPORATION	—	2,898	Shares were held to obtain information on consumer needs and industry trends to help develop our brand, but sold during this fiscal year.	No
	—	10		
THE ROYAL HOTEL, LIMITED	—	6,400	Shares were 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, but sold during this fiscal year.	No
	—	7		
TORIKIZOKU Co., Ltd.	—	120,000	Shares were 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, but sold during this fiscal year.	No
	—	214		
YOSHINOYA HOLDINGS CO., LTD.	—	72,000	Shares were 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, but sold during this fiscal year.	No
	—	167		

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 30, 2023 for all cross-shareholdings as of the end of this fiscal year, to determine whether to continue each cross-shareholding or not.

There are no deemed holdings of shares.

3) Investment shares held for pure investment

(a) Kirin Holdings Company, Limited

The Company has no investment shares held for pure investment.

(b) Kirin Brewery Company, Limited

Kirin Brewery has no investment shares held for pure investment.

V. FINANCIAL INFORMATION

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

- (1) The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (hereinafter, “IFRS”) pursuant to Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Order of the Ministry of Finance No. 28 of 1976, hereinafter, the “Regulation on Consolidated Financial Statements”).
- (2) The financial statements of the Company have been prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Order of the Ministry of Finance No. 59 of 1963, hereinafter, the “Regulation on Financial Statements”). The Company is qualified as a special company submitting financial statements, and prepares its financial statements in accordance with Article 127 of the Regulation on Financial Statements.
- (3) Figures disclosed in the consolidated financial statements and financial statements are rounded to million yen.

2. Audit certification

The consolidated financial statements and the financial statements for the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022) were audited by KPMG AZSA LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

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

The Company makes special efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation to develop a system that enables the proper understanding of the contents of accounting standards, etc. and the appropriate responses to any changes in accounting standards, etc. The Company also participates in training courses hosted by audit firms and other relevant organizations and is a regular subscriber to specialized magazines on accounting.

In addition, the Company keeps up with the latest accounting standards by obtaining from time to time press releases and standards issued by the International Accounting Standards Board. The Company also ensures the appropriate preparation of the consolidated financial statements, etc. under IFRS by developing group-wide accounting policies in accordance with IFRS, and carrying out accounting processes based on these policies.

Consolidated Statement of Financial Position

Kirin Holdings Company, Limited and Consolidated Subsidiaries

At December 31, 2022 and 2021

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Assets		
Non-current assets		
Property, plant and equipment (Notes 6, 9 and 18)	¥ 533,859	¥ 560,642
Goodwill (Notes 7 and 9)	264,225	289,526
Intangible assets (Notes 8, 9 and 18)	196,341	200,900
Equity-accounted investees (Notes 5 and 36)	399,367	361,764
Other financial assets (Note 10)	117,431	103,380
Other non-current assets (Note 19)	24,736	27,700
Deferred tax assets (Note 11)	109,354	111,330
Total non-current assets	1,645,313	1,655,242
Current assets		
Inventories (Note 12)	247,229	290,171
Trade and other receivables (Note 13)	387,921	409,168
Other financial assets (Note 10)	7,910	8,376
Other current assets	34,071	41,128
Cash and cash equivalents (Note 14)	149,488	88,060
(Sub-total)	826,620	836,903
Assets held for sale (Note 15)	-	50,117
Total current assets	826,620	887,021
Total assets	¥2,471,933	¥2,542,263

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Equity		
Share capital (Note 16)	¥ 102,046	¥ 102,046
Share premium (Note 16)	25,104	25,519
Retained earnings (Note 16)	998,177	1,063,823
Treasury shares (Note 16)	(201,801)	(251,788)
Reserves (Note 16)	(29,347)	40,423
Equity attributable to owners of the Company	894,179	980,022
Non-controlling interests (Note 35)	253,811	273,181
Total equity	1,147,990	1,253,203
Liabilities		
Non-current liabilities		
Bonds and borrowings (Notes 17 and 28)	449,970	408,662
Other financial liabilities (Notes 17, 18 and 28)	145,453	129,662
Defined benefit liability (Note 19)	61,954	58,084
Provisions (Note 20)	4,707	3,292
Liabilities from application of equity method (Note 36)	19,426	15,529
Other non-current liabilities (Note 22)	32,875	27,572
Deferred tax liabilities (Note 11)	10,606	13,564
Total non-current liabilities	724,990	656,365
Current liabilities		
Bonds and borrowings (Notes 17 and 28)	101,502	114,459
Trade and other payables (Note 21)	229,552	265,185
Other financial liabilities (Notes 17, 18 and 28)	65,907	59,824
Current tax liabilities	22,162	4,611
Provisions (Note 20)	1,901	2,970
Other current liabilities (Note 22)	177,929	177,530
(Sub-total)	598,953	624,579
Liabilities directly associated with assets held for sale (Note 15)	-	8,116
Total current liabilities	598,953	632,695
Total liabilities	1,323,943	1,289,060
Total equity and liabilities	¥2,471,933	¥2,542,263

Consolidated Statement of Profit or Loss
Kirin Holdings Company, Limited and Consolidated Subsidiaries
For the years ended December 31, 2022 and 2021

(¥ millions)

	Year ended December 31, 2021	Year ended December 31, 2022
Revenue (Notes 5 and 23)	¥1,821,570	¥1,989,468
Cost of sales	998,728	1,083,755
Gross profit	822,842	905,713
Selling, general and administrative expenses (Note 24)	657,412	714,554
Other operating income (Note 9 and 25)	8,239	29,454
Other operating expenses (Notes 9 and 26)	105,585	104,594
Operating profit	68,084	116,019
Finance income (Note 27)	4,087	10,978
Finance costs (Note 27)	7,044	6,478
Share of profit of equity-accounted investees (Note 36)	34,490	22,780
Gain on sale of equity-accounted investees	-	48,088
Profit before tax	99,617	191,387
Income tax expense (Note 11)	31,193	47,615
Profit	68,424	143,771
Profit attributable to:		
Owners of the Company	59,790	111,007
Non-controlling interests (Note 35)	8,634	32,764
Profit	¥ 68,424	¥ 143,771
Earnings per share (Yen) (Note 30)		
Basic earnings per share	¥ 71.73	¥ 135.08
Diluted earnings per share	71.70	135.07

Consolidated Statement of Comprehensive Income

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2022 and 2021

(¥ millions)

	Year ended December 31, 2021	Year ended December 31, 2022
Profit	¥ 68,424	¥ 143,771
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in equity instruments measured at fair value through other comprehensive income (Note 29)	(1,824)	1,937
Remeasurements of defined benefit plans (Note 29)	6,592	5,126
Share of other comprehensive income of equity-accounted investees (Note 29)	203	694
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations (Note 29)	31,843	48,639
Cash flow hedges (Note 29)	1,185	(1,600)
Share of other comprehensive income of equity-accounted investees (Note 29)	10,892	21,269
Total other comprehensive income	48,891	76,065
Comprehensive income	¥117,316	¥219,836
Comprehensive income attributable to:		
Owners of the Company	¥109,631	¥189,195
Non-controlling interests (Note 35)	7,685	30,641
Comprehensive income	¥117,316	¥219,836

Consolidated Statement of Changes in Equity

Kirin Holdings Company, Limited and Consolidated Subsidiaries

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						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, 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

For the year ended December 31, 2022

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

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

Consolidated Statement of Cash Flows

Kirin Holdings Company, Limited and Consolidated Subsidiaries
For the years ended December 31, 2022 and 2021

(¥ millions)

	Year ended December 31, 2021	Year ended December 31, 2022
Cash flows from operating activities		
Profit before tax	¥ 99,617	¥ 191,387
Depreciation and amortization	81,130	85,937
Impairment losses	77,390	66,200
Gain on reversal of impairment losses	-	(13,152)
Interest and dividends received	(2,718)	(4,497)
Share of profit of equity-accounted investees	(34,490)	(22,780)
Interest paid	4,448	4,894
Gain on sale of property, plant and equipment and intangible assets	(3,061)	(9,512)
Loss on disposal and sale of property, plant and equipment and intangible assets	1,782	4,571
Gain on sale of shares of subsidiaries	(23)	-
Gain on sale of equity-accounted investees	-	(48,088)
(Increase) decrease in trade receivables	(9,106)	(8,455)
(Increase) decrease in inventories	(20,353)	(39,490)
Increase (decrease) in trade payables	3,514	18,384
Increase (decrease) in liquor taxes payable	1,586	(7,383)
Other (Note 28)	32,289	(34,002)
Sub-total	232,004	184,014
Interest and dividends received	21,036	24,731
Interest paid	(4,145)	(4,367)
Income taxes paid	(29,592)	(68,815)
Cash flows from (used in) operating activities	219,303	135,562
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(86,335)	(98,479)
Proceeds from sale of property, plant and equipment and intangible assets	6,977	11,324
Acquisition of investments	(2,907)	(2,425)
Proceeds from sale of investments	22,122	7,884
Acquisition of shares of subsidiaries, net of cash acquired (Note 38)	(45,455)	(46,183)
Proceeds from sale of shares of subsidiaries, net of cash disposed of (Note 28)	42,886	-
Acquisition of equity-accounted investees	(162)	(9,382)
Proceeds from sale of equity-accounted investees	5,101	122,249
Other	1,365	4,612
Cash flows from (used in) investing activities	(56,408)	(10,399)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	4,641	(6,083)
Increase (decrease) in commercial paper	(81,994)	(55,009)
Proceeds from long-term borrowings	1,000	71,851
Repayment of long-term borrowings	(50,000)	(67,612)
Proceeds from issuance of bonds	70,000	20,000
Payment for redemption of bonds	(40,000)	-
Repayment of lease liabilities	(18,420)	(19,387)
Payment for acquisition of treasury shares	(34)	(50,040)
Payment for acquisition of treasury shares by a consolidated subsidiary	(23)	(11)
Proceeds from settlement of derivatives	-	4,072
Dividends paid (Note 16)	(54,184)	(53,778)
Dividends paid to non-controlling interests	(11,182)	(11,688)
Other	(266)	(151)
Cash flows from (used in) financing activities (Note 28)	(180,463)	(167,835)
Effect of exchange rate changes on cash and cash equivalents	5,388	6,728
Net increase (decrease) in cash and cash equivalents	(12,180)	(35,944)
Cash and cash equivalents at beginning of year	161,667	149,488
Net increase (decrease) in cash and cash equivalents resulting from transfers to assets held for sale (Note 15)	-	(25,484)
Cash and cash equivalents at end of year (Note 14)	¥149,488	¥88,060

Notes to Consolidated Financial Statements

Kirin Holdings Company, Limited and Consolidated Subsidiaries

For the years ended December 31, 2022 and 2021

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 Shinjiro Akieda, Senior Executive Officer of the Company, on March 30, 2023.

(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)

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 performance-linked share-based remuneration plan (so-called "Performance Share Unit"), and a phantom stock plan mainly for officers.

For the Board Incentive Plan Trust and the restricted stock compensation system which are both equity-settled share-based payment plans, the consideration for services received is measured at the fair value of the shares at the grant date and is recognized as an expense over the vesting period (from the grant date to the vesting date) in the consolidated statement of profit or loss. The corresponding amount is recognized as an increase in equity in the consolidated statement of financial position.

For the Performance Share Unit, the portion which is an equity-settled share-based payment transaction is measured at the fair value of the shares to be granted in the future and is recognized as an expense over the vesting period with a corresponding increase in equity, whereas the portion which is a cash-settled share-based payment transaction is measured at the fair value of the services received and liabilities incurred and is recognized as an expense over the vesting period with a corresponding increase in liability. The fair value of the liability is re-measured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in the consolidated statement of profit or loss.

For the phantom stock plan which is a cash-settled share-based payment plan, the fair value of future cash payments is recognized as a liability and changes in fair value of the liability are recognized in the consolidated statement of profit or loss until the liability is settled.

In addition, the Group abolished the share option plan which was as an equity-settled share-based payment plan, but the share acquisition rights already granted remain. The fair value of the share options was estimated at the grant date and recognized as an expense over the vesting period in the consolidated statement of profit or loss with a corresponding increase in equity, considering the number of share options that are expected to be eventually vested. The fair value of the share options granted was calculated by using the Black-Scholes-Merton formula or other option pricing models, considering the terms and conditions of the options.

(17) REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognized based on the following five-step approach:

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

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

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

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

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

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

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

2) Pharmaceuticals Business

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

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

(i) Revenue from sale of merchandise and finished goods

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

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

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

(ii) Licensing revenue

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

In some cases, the license agreements do not involve the provision of goods or services by the Group other than granting a license, while in other cases, the Group provides goods or services such as provision of manufacturing technology and 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 ISSUED BUT 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 but not yet adopted are expected to 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) INFORMATION ON REPORTABLE SEGMENTS

Information related to each reportable segment is set out below.

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

(¥ millions)

At and for the year ended December 31, 2022

	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	¥663,522	¥243,257	¥255,900	¥397,863	¥428,925	¥ –	¥1,989,468
Inter-segment revenue	1,976	2,513	91	507	74,819	(79,907)	–
Total revenue	665,498	245,770	255,991	398,371	503,744	(79,907)	1,989,468
Segment income (Note 3)	74,660	18,786	31,545	82,462	37,545	(53,838)	191,159
					Other operating income		29,454
					Other operating expenses		104,594
					Finance income		10,978
					Finance costs		6,478
					Share of profit of equity-accounted investees		22,780
					Gain on sale of equity-accounted investees		48,088
					Profit before tax		191,387

(¥ millions)

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

Notes:

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

(3) GEOGRAPHIC INFORMATION

1) Revenue

(¥ millions)

	Year ended December 31, 2021	Year ended December 31, 2022
Japan	¥1,167,445	¥1,159,427
Oceania	175,048	184,343
America	318,221	459,346
Others	160,856	186,353
Total	1,821,570	1,989,468

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

2) Non-current assets

(¥ millions)

	At December 31, 2021	At December 31, 2022
Japan	¥510,385	¥486,545
Oceania	277,730	300,413
America	119,266	202,612
Others	90,626	67,572
Total	998,008	1,057,142

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

(4) MAJOR CUSTOMER

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

(¥ millions)

	Related segment	Year ended December 31, 2021	Year ended December 31, 2022
Mitsubishi Shokuhin Co., Ltd.	Japan Beer and Spirits, Japan Non-alcoholic Beverages, and others	¥225,518	¥220,074

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, 2021	¥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
Acquisitions	8,206	11,307	8,427	33	65,748	93,722
Acquisitions through business combinations	5,982	7,567	–	914	1,667	16,129
Transfer from construction in progress	14,256	26,017	7,352	2	(47,627)	–
Depreciation	(22,549)	(29,622)	(16,001)	(332)	–	(68,505)
Impairment losses	(14,123)	(13,070)	(2,987)	(2,372)	(1,586)	(34,137)
Reversal of impairment losses	209	2,850	–	32	–	3,090
Disposals	(1,738)	(353)	(463)	(1,171)	(120)	(3,845)
Transfer to assets held for sale	(215)	(2,899)	(75)	(32)	(456)	(3,677)
Foreign currency translation differences	8,965	9,383	666	3,883	1,094	23,992
Other	2,307	(999)	(268)	(1,014)	(11)	15
Balance at December 31, 2022	204,001	173,974	46,102	80,471	56,095	560,642

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

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

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

2) Cost

	(¥ millions)					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance at January 1, 2021	¥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
Balance at December 31, 2022	600,718	947,984	189,666	84,728	58,333	1,881,429

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, 2021	¥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
Balance at December 31, 2022	396,718	774,011	143,564	4,257	2,238	1,320,787

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, 2021	Year ended December 31, 2022
Balance at January 1	¥ 245,709	¥ 264,225
Acquisitions through business combinations	32,416	25,119
Impairment losses	(22,243)	(12,874)
Transfer to assets held for sale	—	(1,726)
Foreign currency translation differences	8,343	14,782
Balance at December 31	264,225	289,526

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

2) Cost and accumulated impairment losses

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Cost	¥ 285,276	¥ 323,451
Accumulated impairment losses	21,051	33,925

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, 2021	¥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
Acquisitions	11	40	1,131	8,578	11,735	21,495
Acquisitions through business combinations	13,810	—	35	—	—	13,845
Amortization	(19)	(6,412)	(10,580)	—	(422)	(17,433)
Impairment losses	—	—	(1,464)	(25)	(17,589)	(19,078)
Reversal of impairment losses	7,284	—	—	—	2,704	9,988
Disposals	(1)	(1)	(2,127)	(9)	(12)	(2,149)
Transfer to assets held for sale	(7,287)	(10)	(7)	—	(2,876)	(10,180)
Transfer to other account	—	—	52,642	(52,642)	—	—
Foreign currency translation differences	5,631	1,033	839	148	243	7,894
Other	—	207	(44)	74	(60)	177
Balance at December 31, 2022	59,616	29,866	64,058	7,607	39,753	200,900

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

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

2) Cost

(¥ millions)

	Brands	Marketing rights	Software	Software in progress	Other	Total
Balance at January 1, 2021	¥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
Balance at December 31, 2022	68,508	118,675	136,929	7,631	77,715	409,458

3) Accumulated amortization and accumulated impairment losses

(¥ millions)

	Brands	Marketing rights	Software	Software in progress	Other	Total
Balance at January 1, 2021	¥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
Balance at December 31, 2022	8,891	88,810	72,871	25	37,962	208,559

(2) RESEARCH AND DEVELOPMENT EXPENSES AND SOFTWARE DEVELOPMENT EXPENSES

Research and development expenses of ¥69,622 million for the year ended December 31, 2021 and ¥74,289 million for the year ended December 31, 2022 were recorded in selling, general and administrative expenses in the consolidated statement of profit or loss. Software development expenses of ¥14,793 million for the year ended December 31, 2021 and ¥7,096 million for the year ended December 31, 2022 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, 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 based on the estimated cash flows derived from the business plan, which was prepared reflecting past experience and external information and 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 Myanmar 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.

Year ended December 31, 2022

Impairment losses by segment consisted of the following:

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

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

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

The recoverable amount was measured at value in use which was calculated by discounting the future cash flows over five years to present value. The future cash flows were estimated based on the business plan prepared reflecting past experience and external information and approved by management. A discount rate of 6.1% was used based on the pre-tax weighted-average cost of capital of the cash-generating unit.

The business plan on which the calculations were based included significant assumptions regarding the growth in the market size of the core products and new products, increase in our market shares and other factors.

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

(3) REVERSAL OF IMPAIRMENT LOSSES

Since there was an indication from the share transfer process that the amount of impairment losses recognized in prior years related to the Alcoholic Beverages business in Myanmar had decreased, the recoverable amount of the Alcoholic Beverages business in Myanmar was estimated at December 31, 2022. As a result, a gain of ¥12,921 million on reversal of impairment losses for non-current assets (excluding goodwill) of the Alcoholic Beverages business in Myanmar was recorded in other operating income for the year ended December 31, 2022.

The recoverable amount was measured at fair value less costs of disposal which was calculated based on the share transfer price mutually agreed in the transfer process. The fair value measurement is categorized as Level 3 in the fair value hierarchy considering the significant inputs in the valuation techniques used.

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

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

	(¥ millions)			
	At December 31, 2021		At December 31, 2022	
	Goodwill	Brands	Goodwill	Brands
Oceania Adult Beverages Business	¥153,862	¥34,405	¥192,509	¥52,984
Pharmaceuticals Business	93,748	—	93,157	—
Bio-chemicals Business	12,874	—	—	—

The Group records as assets the brands held by Lion Pty Limited in the Oceania Adult Beverages Business arising from business combinations. The brands that Lion Pty Limited holds are classified as intangible assets with indefinite useful lives as they are expected to bring economic benefits to the Group over the longer term mainly in the Oceania area.

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

1) Oceania Adult Beverages Business

The recoverable amount is measured at fair value less costs of disposal.

Fair value less costs of disposal is determined based on the market values related to businesses of peer companies (the market approach). Calculation of fair value entails management's judgment and assumptions on the future plans for the businesses that are subject to the calculation, and such judgment and assumptions are based on certain premises that are determined to be reasonable at the time of calculation. The fair value measurement is categorized as Level 3 in the fair value hierarchy considering the significant inputs in the valuation techniques used.

As the recoverable amount sufficiently exceeded the carrying amount of cash-generating units, the Company considers that the recoverable amount is not likely to fall below the carrying amount even when the assumptions for calculating recoverable amounts such as the market values related to businesses of peer companies change within a reasonable range.

2) Pharmaceuticals Business

The recoverable amount is measured at value in use.

Value in use was calculated by discounting the future cash flows over three years to present value. The future cash flows were estimated based on the business plan prepared reflecting past experience and external information and approved by management. Pre-tax discount rate is determined at 10.4% based on weighted-average capital cost of cash-generating units.

As the recoverable amount sufficiently exceeded the carrying amount of cash-generating units, the Company considers that the recoverable amount is not likely to fall below the carrying amount even when the assumptions such as future cash flows and discount rates change within a reasonable range.

10. OTHER FINANCIAL ASSETS

(1) OTHER FINANCIAL ASSETS CONSISTED OF THE FOLLOWING:

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Shares	¥ 60,650	¥ 55,935
Derivative assets	1,427	1,511
Bonds	32,509	28,510
Other	32,809	27,788
Allowance for doubtful accounts	(2,054)	(1,989)
Total	125,341	111,756
Non-current assets	117,431	103,380
Current assets	7,910	8,376

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, 2021	At December 31, 2022
Marketable	¥ 37,999	¥ 32,864
Non-marketable	22,651	23,071
Total	60,650	55,935

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

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Oriental Land Co., Ltd.	¥ 5,431	¥ 5,365
SKYLARK HOLDINGS CO., LTD.	5,037	5,090
Central Japan Railway Company	4,200	4,435
HIDAY HIDAKA Corp.	1,913	2,136
Imperial Hotel, Ltd.	1,251	1,300
ROYAL HOLDINGS Co., Ltd.	972	1,188
Chimney Co., Ltd.	1,188	1,139
Ardelyx, Inc.	364	1,087
DAISYO CORPORATION	983	1,043
Inageya Co., Ltd.	1,134	1,014

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, 2021 and 2022 was ¥19,826 million and ¥22,046 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, 2021		Year ended December 31, 2022	
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)	
¥22,590	¥7,401	¥7,369	¥2,565	

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

(4) PLEDGED ASSETS

The balances of pledged assets were as follows:

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Shares (Note)	¥ 573	¥ –
Other (Note)	–	300
Total	573	300

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

11. INCOME TAX

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

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

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Deferred tax assets	¥109,354	¥111,330
Deferred tax liabilities	10,606	13,564
Net	98,748	97,766

(2) CHANGES IN THE BALANCE OF DEFERRED TAX

Changes in the balance of deferred tax were as follows:

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 (Note 2)	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.

Year ended December 31, 2022

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

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

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.

(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, 2021 and 2022 was ¥425,941 million and ¥520,111 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, 2021	At December 31, 2022
Deductible temporary differences	¥148,523	¥162,237
Unused tax losses	21,573	21,243

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

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
1st year	¥ 106	¥ 28
2nd year	28	51
3rd year	53	14
4th year	15	6,774
5th year onwards	15,755	10,245
With no expiration	5,617	4,131
Total	21,573	21,243

(5) INCOME TAX EXPENSE

Income tax expense was as follows:

	(¥ millions)	
	Year ended December 31, 2021	Year ended December 31, 2022
Current tax expense	¥ 45,324	¥ 47,617
Deferred tax expense	(14,131)	(1)
Income tax expense	31,193	47,615

(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, 2021 and 2022. 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, 2021	Year ended December 31, 2022
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Tax effect of income and expenses not taxable and deductible for tax purposes	0.5	0.2
Equity in earnings of associates	(10.6)	(3.6)
Changes in unrecognized deferred tax assets	(0.9)	2.9
Difference in applicable tax rates between the Company and its subsidiaries	1.4	(3.4)
Tax credits	(7.7)	(2.7)
Retained earnings of subsidiaries and affiliates for which tax effect was recognized	9.0	0.6
Adjustment related to uncertainty over income tax treatments	2.6	—
Impairment of goodwill	4.9	2.1
Other	1.3	(1.7)
Average effective tax rate	31.3	24.9

12. INVENTORIES

Inventories consisted of the following:

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Merchandise and finished goods	¥ 165,905	¥ 199,878
Work in process	27,860	32,448
Raw materials and supplies	53,464	57,845
Total	247,229	290,171
Of which, inventories held for sale over 12 months	29,534	38,709

Loss on devaluation of inventories which was recognized as an expense was ¥7,979 million for the year ended December 31, 2021 and ¥10,845 million for the year ended December 31, 2022.

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, 2021	At December 31, 2022
Notes and accounts receivable, trade (trade receivables)	¥ 373,994	¥ 390,734
Accrued accounts receivable	15,444	19,900
Allowance for doubtful accounts	(1,517)	(1,465)
Total	387,921	409,168

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, 2021 and 2022 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.

15. ASSETS HELD FOR SALE AND DIRECTLY ASSOCIATED LIABILITIES

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

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Assets held for sale		
Property, plant and equipment	¥ —	¥ 3,677
Goodwill	—	1,726
Intangible assets	—	10,180
Inventories	—	5,230
Trade and other receivables	—	1,255
Other financial assets (current)	—	948
Other current assets	—	1,379
Cash and cash equivalents	—	25,484
Other	—	238
Total	—	50,117
Liabilities directly associated with assets held for sale		
Deferred tax liabilities	—	1,603
Trade and other payables	—	1,743
Other financial liabilities (current)	—	1,890
Other current liabilities	—	2,309
Other	—	571
Total	—	8,116

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

liabilities directly associated with assets held for sale at December 31, 2022 because of an increased likelihood of transferring the related shares. Reserves related to assets held for sale stood at minus ¥19,393 million at December 31, 2022. Cash and cash equivalents included ¥18,092 million, which was subject to certain restrictions on its use due to withdrawal limits notified by the Central Bank of Myanmar. The transfer of the shares of the consolidated subsidiaries in the Alcoholic Beverages business in Myanmar was completed on January 23, 2023. For details of the share transfer, please refer to Note 39. SUBSEQUENT EVENTS.

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, 2021	Year ended December 31, 2022
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, 2021	Year ended December 31, 2022
Treasury shares at January 1	80,385	80,414
Changes	29	23,757
Treasury shares at December 31	80,414	104,172

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, 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.

Changes in treasury shares for the year ended December 31, 2022 consisted of the following:

- Acquisition of treasury shares: 23,715 thousand shares
- Acquisition of less-than-one unit shares: 55 thousand shares
- Sale of less-than-one unit shares: (1) thousand shares
- Disposal of shares held in the Board Incentive Plan Trust: (12) thousand shares

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

(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 30, 2021 Ordinary General Meeting of Shareholders (Note 1)	Ordinary shares	¥27,105	¥32.50	December 31, 2020	March 31, 2021
August 10, 2021 Board of Directors' Meeting (Note 1)	Ordinary shares	27,104	32.50	June 30, 2021	September 3, 2021
March 30, 2022 Ordinary General Meeting of Shareholders (Note 1)	Ordinary shares	27,104	32.50	December 31, 2021	March 31, 2022
August 8, 2022 Board of Directors' Meeting (Note 2)	Ordinary shares	26,751	32.50	June 30, 2022	September 5, 2022

Notes:

1. The total amount of dividend includes dividends of ¥13 million on shares held in the Board Incentive Plan Trust, respectively.
2. The total amount of dividend includes dividends of ¥64 million on shares held in the Board Incentive Plan Trust.

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, 2023 Ordinary General Meeting of Shareholders (Note)	Ordinary shares	¥29,630	¥36.50	December 31, 2022	March 31, 2023

Note: The total amount of dividend includes dividends of ¥72 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, 2021 (¥ millions)	At December 31, 2022 (¥ millions)	Average interest rate (%) (Note 3)	Maturity
Bonds (maturities of over one year) (Note 4)	¥239,274	¥204,415	0.28	September 5, 2024 to September 5, 2039
Bonds (maturities of one year or less) (Note 4)	—	54,962	0.17	June 2, 2023 to December 6, 2023
Long-term borrowings (maturities of over one year)	210,696	204,246	0.51	February 26, 2024 to September 22, 2031
Long-term borrowings (maturities of one year or less)	19,441	38,991	0.12	March 31, 2023 to December 18, 2023
Short-term borrowings	9,052	2,506	0.44	—
Commercial paper	73,009	18,000	0.00	March 31, 2023
Deposits received (Note 2)	51,171	44,886	0.99	—
Accrued expenses	35,727	28,757	—	—
Derivative liabilities (Note 1)	4,127	3,327	—	—
Lease liabilities	90,158	81,900	—	—
Other	30,177	30,615	—	—
Total	762,832	712,607	—	—
Non-current liabilities	595,423	538,324	—	—
Current liabilities	167,409	174,283	—	—

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, 2021 (¥ millions)	At December 31, 2022 (¥ millions)	Interest rate (%)	Maturity
The Company	The Company 10th series of unsecured bonds	March 2, 2015	¥ 14,974	¥ 14,982	0.603	February 28, 2025
The Company	The Company 11th series of unsecured bonds	December 6, 2018	24,955	24,977	0.120	December 6, 2023
The Company	The Company 12th series of unsecured bonds	September 5, 2019	29,929	29,955	0.080	September 5, 2024
The Company	The Company 13th series of unsecured bonds	September 5, 2019	29,889	29,903	0.230	September 5, 2029
The Company	The Company 14th series of unsecured bonds	September 5, 2019	9,939	9,943	0.510	September 5, 2039
The Company	The Company 15th series of unsecured bonds	June 4, 2020	29,947	29,984	0.020	June 2, 2023
The Company	The Company 16th series of unsecured bonds	June 4, 2020	9,967	9,977	0.180	June 4, 2025
The Company	The Company 17th series of unsecured bonds	June 4, 2020	9,954	9,960	0.370	June 4, 2030
The Company	The Company 18th series of unsecured bonds	November 27, 2020	9,959	9,969	0.110	November 27, 2025
The Company	The Company 19th series of unsecured bonds	June 3, 2021	39,867	39,897	0.090	June 3, 2026
The Company	The Company 20th series of unsecured bonds	June 3, 2021	29,893	29,910	0.180	June 2, 2028
The Company	The Company 21st series of unsecured bonds	June 7, 2022	—	19,919	0.290	June 7, 2027
Total			239,274	259,377	—	—

18. LEASES

(1) LEASING ACTIVITIES

The Group has entered into leases mainly for real estate of business offices and warehouses.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are mainly included in real estate leases for business offices and warehouses, many of which are options to extend the lease over one year or the same period as the original contract or options to terminate early the lease upon a six-month written notice to the counterparty. These options are used by the lessee as necessary to utilize real estate for business.

Some of the leases within the Group contain variable payment terms for warehouse fees that are linked to the volume of inventories or real estate rents that are linked to sales generated from the store. Variable payment terms are used in order to link rental payments to real estate cash flows and minimize fixed costs.

(2) RIGHT-OF-USE ASSETS

Carrying amounts and depreciation and amortization of right-of-use assets consisted of the following:

						(¥ millions)
	Property, plant and equipment			Intangible assets		
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Software	Total
Balance at January 1, 2021	¥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
Acquisitions	6,388	3,093	2,270	7	91	11,849
Depreciation and amortization	(13,108)	(2,076)	(3,321)	(332)	(833)	(19,671)
Impairment losses	(2,181)	(458)	—	(73)	—	(2,711)
Transfer to assets held for sale	(18)	—	—	(32)	—	(50)
Other	3,541	(672)	(39)	598	(7)	3,421
Balance at December 31, 2022	52,667	9,075	7,574	7,513	1,362	78,191

(3) LEASE LIABILITIES

Lease liabilities by maturity were as follows:

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

At December 31, 2022

	Carrying amount	Contractual cash flow	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Lease liabilities	¥81,900	¥92,604	¥19,084	¥15,102	¥11,780	¥7,920	¥6,321	¥32,397

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

			(¥ millions)
	Year ended December 31, 2021	Year ended December 31, 2022	
Interest paid for leases	¥1,512	¥1,599	
Variable leases	495	533	
Short-term leases	2,177	2,038	
Leases for low value items	1,396	1,382	

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

			(¥ millions)
	Year ended December 31, 2021	Year ended December 31, 2022	
Total cash outflow for leases	¥24,001	¥24,939	

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, 2021	Year ended December 31, 2022
Balance at January 1	¥ 295,551	¥ 291,603
Current service cost	10,939	10,862
Interest cost	1,883	1,869
Remeasurement loss (gain)		
Changes in demographic assumptions	(2,335)	(766)
Changes in financial assumptions	402	(24,952)
Changes in experience adjustment	270	(710)
Past service cost	72	(26)
Foreign currency translation differences	2,018	2,995
Payments from plans	(16,444)	(17,944)
Plan transfer (Note)	(0)	(2,351)
Other changes	(754)	100
Balance at December 31	291,603	260,681

Note: The decrease due to "Plan transfer" is mainly attributable to the dissolution of the corporate pension fund of Mercian Co., Ltd. and the transition to the Kirin Group's defined contribution plan.

Weighted-average duration of defined benefit obligations was 11.3 years at December 31, 2021 and 10.9 years at December 31, 2022.

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, 2021	Year ended December 31, 2022
Balance at January 1	¥ 248,145	¥ 250,801
Interest income	1,666	1,561
Remeasurement loss (gain)		
Gain on plan assets (excluding interest income)	8,021	(19,254)
Foreign currency translation differences	1,527	2,274
Contributions paid by the employer	4,933	5,330
Payments from plans	(12,924)	(13,692)
Plan transfer (Note)	—	(2,769)
Other changes	(568)	(29)
Balance at December 31	250,801	224,223

Note: The decrease due to "Plan transfer" is mainly attributable to the dissolution of the corporate pension fund of Mercian Co., Ltd., and the transition to the Kirin Group's defined contribution plan.

The Group plans to contribute ¥7,120 million to the defined benefit plans for the year ending December 31, 2023.

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, 2021	At December 31, 2022
Present value of defined benefit obligations	¥ 291,603	¥ 260,681
Fair value of plan assets	(250,801)	(224,223)
Total	40,802	36,458
Defined benefit liability	61,954	58,084
Defined benefit asset	(21,152)	(21,626)

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, 2021		At December 31, 2022	
	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	¥ 54,939	¥ –	¥ 44,666	¥ –
Debt instruments	100,143	–	85,317	–
General accounts	–	67,765	–	59,411
Other	–	27,954	–	34,829
Total	155,082	95,719	129,984	94,240

5) Actuarial assumptions

Major actuarial assumptions were as follows:

	At December 31, 2021	At December 31, 2022
Discount rate (weighted-average)	0.7%	1.5%

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, 2021	At December 31, 2022
Discount rate		
Increase by 0.5%	¥ (13,702)	¥ (10,157)
Decrease by 0.5%	15,182	13,394

(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 ¥15,561 million for the year ended December 31, 2021 and ¥16,209 million for the year ended December 31, 2022.

(3) EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses included in the consolidated statement of profit or loss were ¥261,011 million for the year ended December 31, 2021 and ¥287,843 million for the year ended December 31, 2022. 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, 2022

	(¥ millions)			
	Allowance for loss on plants reorganization	Asset retirement obligations	Other	Total
Balance at January 1	¥ 886	¥ 4,692	¥ 1,030	¥ 6,608
Increase	142	167	4,747	5,057
Decrease resulting from settlement	(489)	(504)	(2,832)	(3,825)
Decrease due to reversal	(254)	(984)	(705)	(1,943)
Foreign currency translation differences	75	40	250	366
Balance at December 31	361	3,411	2,491	6,263
Non-current liabilities	—	2,928	364	3,292
Current liabilities	361	483	2,126	2,970

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, 2021	At December 31, 2022
Notes and accounts payable, trade	¥ 98,540	¥ 120,456
Accounts payable	69,205	77,223
Refund liabilities	61,807	67,505
Total	229,552	265,185

Note: Trade and other payables are classified as financial liabilities measured at amortized cost.

22. OTHER LIABILITIES

Other non-current liabilities and other current liabilities consisted of the following:

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Liquor taxes payable	¥ 76,399	¥ 69,262
Contract liabilities (Note)	43,098	35,666
Other	91,306	100,174
Total	210,804	205,102
Non-current liabilities	32,875	27,572
Current liabilities	177,929	177,530

Note: The beginning balance of contract liabilities recognized as revenue was ¥1,107 million and ¥9,479 million for the years ended December 31, 2021 and 2022, respectively. Revenue recognized from the performance obligations satisfied in prior years was ¥20,286 million and ¥24,010 million for the years ended December 31, 2021 and 2022, 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 ¥2,018 million at December 31, 2022.

23. REVENUE

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

(¥ millions)

	Year ended December 31, 2021	Year ended December 31, 2022
Japan Beer and Spirits	¥ 661,326	¥ 663,522
Japan Non-alcoholic Beverages	244,386	243,257
Oceania Adult Beverages	216,258	255,900
Pharmaceuticals	351,696	397,863
Others		
Wine in Japan	53,587	55,653
Non-alcoholic beverages in North America	154,872	216,165
Bio-chemicals	49,166	45,948
Other	90,277	111,158
Total	347,902	428,925
Consolidated	1,821,570	1,989,468

(2) TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS

The following table shows the total transaction price which is allocated to residual performance obligations and periods when the revenue is expected to be recognized under agreements and other arrangements related to licensing revenue. The transactions with initial expected remaining periods not exceeding one year are excluded since a practical expedient is applied.

(¥ millions)

	At December 31, 2021	At December 31, 2022
Due within one year	¥ 12,280	¥ 10,559
Between one and two years	9,895	8,280
Between two and three years	9,891	8,276
More than three years	11,033	8,551
Total	43,098	35,666

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses consisted of the following:

(¥ millions)

	Year ended December 31, 2021	Year ended December 31, 2022
Sales promotion and advertising	¥ 163,074	¥ 166,032
Employee benefit expenses	189,538	215,128
Freight	59,360	59,378
Research and development	69,612	74,271
Depreciation and amortization	38,194	41,862
Other	137,635	157,884
Total	657,412	714,554

25. OTHER OPERATING INCOME

Other operating income consisted of the following:

(¥ millions)

	Year ended December 31, 2021	Year ended December 31, 2022
Gain on sale of property, plant and equipment and intangible assets	¥ 3,061	¥ 9,512
Gain on sale of shares of subsidiaries	23	—
Gain on reversal of impairment losses	—	13,152
Other	5,154	6,789
Total	8,239	29,454

26. OTHER OPERATING EXPENSES

Other operating expenses consisted of the following:

	(¥ millions)	
	Year ended December 31, 2021	Year ended December 31, 2022
Impairment losses	¥ 77,390	¥ 66,200
Business restructuring expenses	2,026	742
Software development expenses	14,793	7,096
Loss on disposal and sale of property, plant and equipment and intangible assets	2,041	5,040
Other	9,336	25,516
Total	105,585	104,594

Note: Business restructuring expenses for the year ended December 31, 2021 include expense for plants reorganization of ¥658 million and additional employees' retirement benefits of ¥604 million at consolidated subsidiaries. Business restructuring expenses for the year ended December 31, 2022 include additional employees' retirement benefits of ¥742 million at consolidated subsidiaries.

27. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs consisted of the following:

	(¥ millions)	
	Year ended December 31, 2021	Year ended December 31, 2022
Interest income (Note 1)	¥ 2,038	¥ 4,040
Dividend income (Note 2)	680	457
Foreign exchange gains (net)	876	5,281
Other	493	1,200
Total finance income	4,087	10,978
Interest paid (Note 1)	4,448	4,894
Change in fair value of contingent consideration	1,286	659
Other	1,309	925
Total finance costs	7,044	6,478

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, 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.

Year ended December 31, 2022

							(¥ millions)
	Balance at January 1, 2022	Total changes arising from cash flows from financing activities	Non-cash transactions and other changes				Balance at December 31, 2022
			Acquisitions	Foreign currency translation differences	Changes in fair value	Other	
Short-term borrowings	¥ 9,052	¥ (6,083)	¥ –	¥ (462)	¥ –	¥ –	¥ 2,506
Commercial paper	73,009	(55,009)	–	–	–	–	18,000
Long-term borrowings (Note)	230,137	4,167	–	8,860	–	73	243,237
Bonds (Note)	239,274	19,909	–	–	–	195	259,377
Lease liabilities (Note)	90,158	(19,387)	10,324	3,866	–	(3,062)	81,900
Derivatives used for hedging - liabilities	2,793	(4,072)	–	–	1,279	–	–

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

(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, 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

Year ended December 31, 2022

There are no matters to report under this item.

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, 2021	Year ended December 31, 2022
Net change in equity instruments measured at fair value through other comprehensive income		
Amount arising during the year	¥ (2,586)	¥ 2,449
Before taxes	(2,586)	2,449
Tax effects	762	(511)
After taxes	(1,824)	1,937
Remeasurements of defined benefit plans		
Amount arising during the year	9,667	7,174
Before taxes	9,667	7,174
Tax effects	(3,075)	(2,048)
After taxes	6,592	5,126
Foreign currency translation differences on foreign operations		
Amount arising during the year	31,571	48,389
Reclassification adjustments	272	250
Before taxes	31,843	48,639
Tax effects	–	–
After taxes	31,843	48,639
Cash flow hedges		
Amount arising during the year	2,088	(14,118)
Reclassification adjustments	(693)	11,822
Before taxes	1,395	(2,295)
Tax effects	(209)	696
After taxes	1,185	(1,600)
Share of other comprehensive income of equity-accounted investees		
Amount arising during the year	11,094	21,512
Reclassification adjustments	–	451
Before taxes	11,094	21,963
Tax effects	–	–
After taxes	11,094	21,963
Total other comprehensive income		
Amount arising during the year	51,835	65,406
Reclassification adjustments	(421)	12,523
Before taxes	51,414	77,929
Tax effects	(2,522)	(1,864)
After taxes	48,891	76,065

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, 2021	Year ended December 31, 2022
Profit attributable to owners of the Company	¥ 59,790	¥ 111,007
Profit not attributable to ordinary shareholders of the Company	—	—
Profit attributable to ordinary shareholders of the Company	59,790	111,007

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

	(Thousands of shares)	
	Year ended December 31, 2021	Year ended December 31, 2022
Weighted-average number of ordinary shares	833,599	821,755

(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, 2021	Year ended December 31, 2022
Profit attributable to ordinary shareholders of the Company	¥ 59,790	¥ 111,007
Adjustments for potential ordinary shares issued by subsidiary and associates	(18)	(15)
Profit attributable to ordinary shareholders of the Company (diluted)	59,772	110,992

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

	(Thousands of shares)	
	Year ended December 31, 2021	Year ended December 31, 2022
Weighted-average number of ordinary shares (basic)	833,599	821,755
Effect of dilution	—	—
Weighted-average number of ordinary shares (diluted)	833,599	821,755

31. SHARE-BASED PAYMENTS

(1) DETAILS OF SHARE-BASED PAYMENT PLANS

The Company has adopted a Board Incentive Plan Trust as a performance-linked remuneration system for Directors, excluding Outside Directors, and Executive Officers of the Company who are residents in Japan (“the Directors and Officers”), for the sake of stable and efficient operation of the remuneration system as well as providing the Directors and Officers of the Company with incentives for improving medium- to long-term performance and increasing corporate value.

Kyowa Kirin Co., Ltd., a subsidiary of the Company, has adopted a restricted stock compensation system, which is an equity-settled share-based payment plan, and a performance-linked share-based remuneration plan (Performance Share Unit), which is an equity-settled and cash-settled share-based payment plan, for directors and officers of the company. It has also adopted a phantom stock plan, which is a cash-settled share-based payment plan, for certain employees of the Kyowa Kirin Co., Ltd. group.

(2) BOARD INCENTIVE PLAN TRUST

1) Details of the program

The Board Incentive Plan Trust is a scheme whereby a trust funded and created by the Company acquires shares in the Company by using such funds and delivers, in principle, the Company’s shares along with the payment of cash equivalent to the proceeds from the realization of the Company’s shares that are realizable (the “Company’s Shares, etc.” collectively) to the Directors and Officers who have been granted points in accordance with the Share Delivery Rules of the Company when the Directors and Officers follow the prescribed beneficiary-determining procedure at a certain point in time after three years have passed since the start of each performance evaluation period. When the Company’s Shares, etc. are delivered or paid to the Directors and Officers, one point is converted to one share. Of the Company’s Shares, etc., shares that are realizable under the Share Delivery Rules are delivered in cash in an amount equivalent to the value that those shares can be converted to.

2) Number of points granted during the year and fair values

	Year ended December 31, 2021	Year ended December 31, 2022
Grant date	March 30, 2021	March 30, 2022
Number of points granted	79,165	276,489
Fair value at grant date (Yen)	¥ 2,187	¥ 1,853.5

Note: Since fair value at grant date was considered to be approximately equal to the Company’s share price at grant date, the fair value was determined using the share price at grant date.

(3) RESTRICTED STOCK COMPENSATION SYSTEM

1) Details of the program

Under the system, directors and officers of the Company’s subsidiary Kyowa Kirin Co., Ltd. are issued with ordinary shares of Kyowa Kirin Co., Ltd. upon the payment of all monetary compensation claims provided in the form of contribution in kind, on condition that they remain in the position of director or officer of the company for a certain period.

The ordinary shares of Kyowa Kirin Co., Ltd. are issued under restricted stock compensation on condition that the company and the directors and officers conclude an agreement which contains the following provisions: (i) the shares shall not be transferred to a third party, securitized or disposed of during a certain period, and (ii) when certain grounds arise, the shares will be acquired by the company without compensation.

2) Number of shares granted during the year and fair values

	Year ended December 31, 2021	Year ended December 31, 2022
Grant date	April 13, 2021	April 14, 2022
Number of shares granted (Shares)	61,961	60,113
Fair value (Yen)	¥ 3,145	¥ 3,140

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

1) Details of the plan

The Company's subsidiary Kyowa Kirin Co., Ltd. has introduced a performance-linked share-based remuneration plan (Performance Share Unit), where the remuneration is granted based on the degree of achievement of performance targets with the period of three consecutive fiscal years as the period of performance evaluation (hereinafter, the "Performance Evaluation Period").

The directors and executive officers of the company are subject to the plan. At the beginning of the Performance Evaluation Period, the reference number of shares to be delivered is determined upon resolution by the board of directors. After the end of the Performance Evaluation Period, the reference number of shares to be delivered is multiplied by the degree of achievement of performance targets in the range of 0% to 150%. Approximately half of this amount is delivered in the form of shares and the remaining amount is paid in cash to the directors and officers during a specified period, normally April, every year.

The carrying amount of liabilities related to the plan was ¥19 million and ¥87 million as of December 31, 2021 and 2022, respectively.

2) Number of performance share units outstanding during the year

	Year ended December 31, 2021	Year ended December 31, 2022
	Reference number of shares to be delivered	Reference number of shares to be delivered
Shares at January 1	—	36,343
Grants	36,343	35,575
Other increases	—	—
Delivery or Payment	—	—
Other decreases	—	—
Shares at December 31	36,343	71,918
Weighted-average fair value (Yen)	¥ 3,145	¥ 3,143

Note: The fair value under the plan is measured based on the market price of the company's shares on the business day immediately before the date of resolution by the company's board of directors at the start of the applicable period of the plan and is not adjusted in consideration of expected dividends.

(5) PHANTOM STOCK PLAN

Kyowa Kirin Co., Ltd., a subsidiary of the Company, and some of its subsidiaries have adopted a phantom stock plan, which settles amounts based on the share price of Kyowa Kirin Co., Ltd. at the vesting of rights in cash when granting compensation.

Certain employees of the Kyowa Kirin Co., Ltd. group are subject to the plan. The vesting condition for the rights is three-year continuous service on and after the grant date, in principle. The plan does not have an exercise price as it determines and pays compensation amounts based on the share price of Kyowa Kirin Co., Ltd.

The carrying amount of liabilities related to the plan as of December 31, 2021 and 2022 was ¥547 million and ¥708 million, respectively.

(6) SHARE OPTION PLAN

1) Details of the plan

Until the year ended December 31, 2019, the Company's subsidiary, Kyowa Kirin Co., Ltd. had the share option plan, all of which are equity-settled share-based payments. Based on the details approved at the shareholders meetings and by the Board of Directors' Meetings of Kyowa Kirin Co., Ltd., subscription rights to shares issued as share options are granted to directors and managing officers of Kyowa Kirin Co., Ltd. and some directors of the subsidiaries of Kyowa Kirin Co., Ltd. If grantees are dismissed from the position of director or managing officer, the subscription rights to shares will be extinguished. When the retirement date of the grantee comes before the expiration of his or her term of office, the number of subscription rights to shares is adjusted according to the number of months of his or her tenure. The exercise period is defined in the allotment agreement, ranging from three to twenty years. If the grantee loses his or her position or does not exercise the subscription rights to shares during the exercise period, said rights will be extinguished.

2) Number of share options and weighted-average exercise prices

	Year ended December 31, 2021		Year ended December 31, 2022	
	Number of shares (Shares)	Weighted-average exercise price (Yen)	Number of shares (Shares)	Weighted-average exercise price (Yen)
Outstanding at January 1	300,600	¥ 1	203,900	¥ 1
Grants	—	—	—	—
Exercise	(96,700)	1	(93,700)	1
Expiry or extinguishment at maturity	—	—	—	—
Outstanding at December 31	106,200	1	14,000	1
Exercisable outstanding at December 31	97,700	1	96,200	1

Notes:

1. The weighted-average share price at the exercise dates for the share options exercised during the years ended December 31, 2021 and 2022 was ¥3,363 and ¥2,894, respectively.
2. The weighted-average remaining period of the outstanding share options was 3.1 years and 2.8 years for the years ended December 31, 2021 and 2022, 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, 2021	Year ended December 31, 2022
Equity-settled	¥ 306	¥ 516
Cash-settled	381	603
Total	687	1,119

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, 2021 and December 31, 2022 were as follows:

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Trade and other receivables	¥ 389,438	¥ 410,633
Other financial assets measured at amortized cost		
Financial assets in stage 1	60,227	51,815
Financial assets in stage 2	895	886
Financial assets in stage 3	561	545

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, 2021	¥ 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
Net provision	394	(45)	13	8
Release due to settlement	(624)	–	(21)	–
Other	177	3	0	(23)
Balance at December 31, 2022	1,465	556	886	545

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

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Loan obligations of employees	¥ 167	¥ 114

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, 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

	(¥ millions)							
	Carrying amount	Contractual cash flow	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Trade and other payables	¥ 265,185	¥ 265,185	¥ 265,185	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds and borrowings	523,121	529,899	116,256	120,146	65,604	65,463	60,378	102,052
Derivative liabilities	3,327	3,327	2,925	402	–	–	–	–
Other financial liabilities (current)	39,330	39,330	39,330	–	–	–	–	–
Deposits received	44,886	47,550	444	444	444	444	444	45,330

(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, 2021	At December 31, 2022
U.S. dollar (Thousands of U.S. dollars)	204,923	173,146
Euro (Thousands of euro)	29,903	44,230

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, 2021	At December 31, 2022
U.S. dollar	¥ 1,913	¥ 1,740
Euro	317	433

2) Interest rate risk

The Group is not exposed to interest rate risk since the Group does not hold any financial instruments with floating interest rates at the reporting date.

3) Price fluctuation risk

The Group is exposed to share price fluctuation risk arising from equity instruments (shares). For the equity instruments, the Group regularly assesses the fair values, the financial conditions of the issuers and other relevant factors, and continuously reviews the holding status of such instruments by taking into account the relationship with the issuer when the issuer is a customer of the Group.

If the market price of equity instruments held by the Group at the reporting date increases by 1% with other variable factors assumed to remain constant, the impact on other comprehensive income (before tax) is ¥380 million and ¥329 million for the years ended December 31, 2021 and 2022, 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, 2021		At December 31, 2022	
	Notional amount	Fair value	Notional amount	Fair value
Forward foreign exchange contracts	¥ 69,810	¥ (469)	¥ 137,922	¥ (213)
Currency swaps	59,385	(3,113)	790	(21)
Total	129,196	(3,583)	138,712	(234)

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, 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.

At December 31, 2022

	(¥ millions)				
	Notional amount		Carrying amount		Change in fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness
	Total amount	Portion due later than one year included therein	Assets	Liabilities	
Cash flow hedges					
Foreign exchange risk					
Forward foreign exchange contracts	¥ 40,440	¥ 7,473	¥ 621	¥ 1,112	¥ (12,942)
Interest rate risk					
Interest rate swaps	—	—	—	—	—
Commodity price risk					
Commodity swaps (oil)	1,510 thousand liters	— thousand liters	—	54	(70)
Commodity swaps (aluminum and others)	52 thousand tons	15 thousand tons	157	1,194	(1,275)

The average rates for forward foreign exchange contracts are ¥138.70 to the U.S. dollar, ¥142.53 to the euro, and ¥92.22 to the Australian dollar.

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

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.

Year ended December 31, 2022

			(¥ millions)
	Change in the value of hedging instruments recognized in other comprehensive income	Amount reclassified to profit or loss	Line item in profit or loss affected by the reclassification
Cash flow hedges			
Foreign exchange risk	¥ (12,935)	¥ 12,043	Finance income
Interest rate risk	—	—	—
Commodity price risk	(1,183)	(221)	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, 2021

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

Note: The balance due within one year is included.

At December 31, 2022

		(¥ millions)			
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term borrowings (Note)	¥ 243,237	¥ –	¥ –	¥ 241,251	¥ 241,251
Bonds	259,377	–	255,643	–	255,643

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, 2021

	(¥ millions)			
	Fair value			
	Level 1	Level 2	Level 3	Total
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

At December 31, 2022

	(¥ millions)			
	Fair value			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative assets	¥ –	¥ 1,511	¥ –	¥ 1,511
Shares	32,864	–	23,071	55,935
Other	–	192	2,851	3,043
Total	32,864	1,703	25,922	60,489
Liabilities:				
Derivative liabilities	–	3,327	–	3,327
Other	–	–	11,511	11,511
Total	–	3,327	11,511	14,838

Notes:

1. There were no transfers between Level 1 and Level 2 at December 31, 2021 and December 31, 2022.

2. The measurement of fair value of shares in Level 3 is conducted in accordance with the relevant internal policy, using valuation techniques and inputs that most appropriately reflect their nature, characteristics and risks.

The significant unobservable inputs associated with the fair value measurement of shares which are measured at fair value on a recurring basis and are categorized in Level 3 are operating margin and illiquidity discount. The fair value increases (decreases) with higher (lower) operating margin and decreases (increases) with higher (lower) illiquidity discount.

Changes in the fair value of shares categorized in Level 3 are not material if the unobservable inputs are replaced by reasonable alternative assumptions.

Changes in financial assets categorized in Level 3 were as follows:

	(¥ millions)	
	Year ended December 31, 2021	Year ended December 31, 2022
Balance at January 1	¥ 26,013	¥ 26,120
Total gains and losses	(1,746)	1,110
Profit or loss (Note 1)	1,390	320
Other comprehensive income (Note 2)	(3,136)	791
Purchases	2,847	2,873
Sales	(596)	(56)
Other	(398)	(4,125)
Balance at December 31	26,120	25,922

Notes:

1. Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss at the reporting date. These gains and losses are included in finance income and/or finance costs.
2. Gains and losses included in other comprehensive income are related to equity instruments measured at fair value through other comprehensive income at the reporting date. These gains and losses are included in net change in equity instruments measured at fair value through other comprehensive income.

(8) OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company has entered into cash pooling agreements with financial institutions, and thereby the Company has a legally enforceable right to set off financial assets and financial liabilities recognized under the cash pooling agreements. Furthermore, the Company intends either to settle the amounts on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities recognized under the cash pooling agreements at December 31, 2021 and 2022 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)	—

At December 31, 2022

	(¥ millions)		
	Gross amount recognized	Amount of offset	Net amount presented in the statement of financial position
Financial assets:			
Cash and cash equivalents	¥ 52,920	¥ (48,431)	¥ 4,489
Financial liabilities:			
Bonds and borrowings	48,431	(48,431)	—

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, 2021	Year ended December 31, 2022
Short-term employee benefits	¥ 826	¥ 1,002
Share-based payments	92	257
Total	918	1,260

34. LIST OF SUBSIDIARIES

The Company's consolidated subsidiaries are listed in I. OVERVIEW OF COMPANY, 4. SUBSIDIARIES AND ASSOCIATES.

Changes in consolidated subsidiaries during the year ended December 31, 2022 are as follows:

Number of subsidiaries consolidated through acquisition or establishment.: 10

Number of subsidiaries decreased by liquidation or sale: 7

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, 2021	At December 31, 2022
Non-controlling interests ratio	46.25%	46.26%
Accumulated amount of non-controlling interests (¥ millions)	¥ 240,526	¥ 251,632

	(¥ millions)	
	Year ended December 31, 2021	Year ended December 31, 2022
Profit or loss allocated to non-controlling interests	¥ 24,211	¥ 24,783
Dividends to non-controlling interests	11,177	11,682

(2) SUMMARIZED FINANCIAL INFORMATION

1) Summary of consolidated statement of financial position

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Total non-current assets	¥ 361,037	¥ 355,088
Total current assets	518,231	542,189
Total equity	694,559	720,223
Total non-current liabilities	75,581	67,229
Total current liabilities	109,129	109,825

2) Summary of consolidated statement of profit or loss

	(¥ millions)	
	Year ended December 31, 2021	Year ended December 31, 2022
Revenue	¥ 352,246	¥ 398,371
Profit	52,347	53,573

3) Summary of consolidated statement of comprehensive income

	(¥ millions)	
	Year ended December 31, 2021	Year ended December 31, 2022
Other comprehensive income	¥ 10,404	¥ (2,918)
Total comprehensive income	62,751	50,654

4) Summary of consolidated statement of cash flows

	(¥ millions)	
	Year ended December 31, 2021	Year ended December 31, 2022
Net cash flows from operating activities	¥ 86,548	¥ 48,672
Net cash flows from (used in) investing activities	(11,363)	(17,185)
Net cash flows from (used in) financing activities	(28,446)	(29,032)

36. EQUITY-ACCOUNTED INVESTEEES

Carrying amounts of equity-accounted investees were as follows:

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Joint ventures	¥ (19,426)	¥ (15,271)
Associates	399,367	361,764
Total	379,941	346,493

(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, 2021	At December 31, 2022
Percentage ownership interest	48.55%	48.55%
Total non-current assets	¥ 229,417	¥ 260,706
Total current assets	72,994	97,614
Total non-current liabilities	57,125	80,524
Total current liabilities	58,746	46,609
Equity	186,540	231,187
Non-controlling interests	8,030	10,409
Equity after deduction of non-controlling interests	178,511	220,778
Equity attributable to the Group	86,667	107,188
Goodwill and consolidation adjustments	81,685	81,784
Carrying amount of equity	168,352	188,972

	(¥ millions)	
	Year ended December 31, 2021	Year ended December 31, 2022
Revenue	¥ 262,087	¥ 317,006
Profit or loss from continuing operations	45,546	53,695
Equity attributable to owners of the Company	44,703	52,379
Non-controlling interests	843	1,316
Other comprehensive income	3,480	28,391
Equity attributable to owners of the Company	3,480	28,391
Non-controlling interests	—	—
Total comprehensive income	49,025	82,086
Equity attributable to owners of the Company	48,182	80,770
Non-controlling interests	843	1,316
Share of:		
Profit or loss from continuing operations	21,703	25,430
Other comprehensive income	1,689	13,784
Total comprehensive income	23,393	39,214
Goodwill and consolidation adjustments	8	98
Total share of the Group	23,400	39,312
Dividends received by the Group	16,674	18,693

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, 2021	At December 31, 2022
Percentage ownership interest	32.77%	32.70%
Total non-current assets	¥ 259,615	¥ 252,592
Total current assets	51,560	58,753
Total non-current liabilities	79,708	78,634
Total current liabilities	14,934	16,746
Equity	216,533	215,964
Equity attributable to the Group	70,958	70,620
Goodwill and consolidation adjustments	57,956	57,836
Share acquisition rights	(210)	(200)
Carrying amount of equity	128,704	128,257
Fair value of equity (Note)	135,624	106,285

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, 2021	Year ended December 31, 2022
Revenue	¥ 107,731	¥ 104,075
Profit or loss from continuing operations	5,824	3,091
Other comprehensive income	72	188
Total comprehensive income	5,896	3,279
Share of:		
Profit or loss from continuing operations	1,909	1,013
Other comprehensive income	24	62
Total comprehensive income	1,932	1,075
Goodwill and consolidation adjustments	—	—
Total share of the Group	1,932	1,075
Dividends received by the Group	1,344	1,348

(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, 2021	At December 31, 2022
Joint ventures	¥ (19,426)	¥ (15,271)
Associates	102,311	44,536
Total	82,885	29,265

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, 2021	Year ended December 31, 2022
Share of:		
Profit or loss from continuing operations	¥ 3,821	¥ 4,324
Other comprehensive income	595	121
Total comprehensive income	4,416	4,444

2) Individually immaterial associates

	(¥ millions)	
	Year ended December 31, 2021	Year ended December 31, 2022
Share of:		
Profit or loss from continuing operations	¥ 7,058	¥ (7,987)
Other comprehensive income	7,613	9,064
Total comprehensive income	14,671	1,076

(3) IMPAIRMENT LOSSES ON INVESTMENTS IN ASSOCIATES

Since the fair value of the investment in FANCL CORPORATION had been below its cost for an extended period in the year ended December 31, 2022, the Company determined that there was an indication of impairment and conducted an impairment test. As a result, no impairment loss was recognized since the recoverable amount exceeded the carrying amount.

The recoverable amount was measured at value in use which was calculated considering past experience and external information, and discounting the forecast future cash flows based on the management approved business plan to the present value.

The business plan included significant assumptions on the impact of recovery in inbound demand, sales expansion in domestic online and catalogue sales channels and overseas markets, and other factors.

37. COMMITMENTS

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

	(¥ millions)	
	At December 31, 2021	At December 31, 2022
Acquisition of property, plant and equipment	¥ 42,222	¥ 42,961
Acquisition of intangible assets	311,679	255,973
Total	353,901	298,934

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 Bell's Brewery Inc by the Group

(1) OUTLINE OF THE BUSINESS COMBINATION

On January 1, 2022, the Company acquired 100% of the voting rights in Bell's Brewery Inc. through Lion Global Craft Beverages Pty Ltd, a subsidiary in Australia, and obtained control of the company. The outline of the transaction was as follows:

Name of the acquired company	Bell's Brewery Inc.
Business outline	Craft beer brewing
Major reason for the business combination	Enhance profitability for the craft beer business in the U.S.
Acquisition date	January 1, 2022
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	¥ 3,989
Non-current assets	26,203
Total assets	30,192
Current liabilities	1,057
Non-current liabilities	5,174
Total liabilities	6,231
Net assets	23,961

(3) GOODWILL ARISING FROM ACQUISITION

(¥ millions)

Item	Amount
Consideration for acquisition	¥ 47,496
Fair value of identifiable net assets acquired by the Group	23,961
Goodwill arising from acquisition	23,535

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	¥ 47,496
Consideration for acquisition comprising cash and cash equivalents	47,496
Cash and cash equivalents held by the acquired company	1,313
Acquisition of shares of subsidiaries, net of cash acquired	46,183

(5) ACQUISITION-RELATED COSTS

Acquisition-related costs of ¥1,048 million were recorded in other operating expenses.

(6) IMPACT ON THE GROUP

Revenue and profit arising from Bell's Brewery Inc. since the acquisition date were ¥15,958 million and ¥1,004 million, respectively.

39. SUBSEQUENT EVENTS

Share transfer of Alcoholic Beverages business in Myanmar

The Company reached an agreement with Myanma Economic Holdings Public Company Limited (MEHPCL), a joint venture partner of its consolidated subsidiaries, Myanmar Brewery Limited (MBL) and Mandalay Brewery Limited (MDL), to transfer all shares of MBL and MDL held by Kirin Holdings Singapore Pte. (KHSPL), a subsidiary of Kirin Holdings, representing 51% of MBL and MDL's outstanding shares, and completed the share transfer in a share buyback transaction on January 23, 2023.

The total share transfer price is approximately ¥20.5 billion and approximately ¥19.0 billion of loss on sale of shares of subsidiaries is expected to be recognized for the three months ending March 31, 2023.

Assets and liabilities of the Alcoholic Beverages business in Myanmar at the end of the year were transferred to assets held for sale and liabilities directly associated with assets held for sale, respectively.

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

March 30, 2023

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 Securities Report, which comprise the consolidated statement of financial position as at December 31, 2022, 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, 2022, 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.

Reasonableness of the valuation of goodwill allocated to the Bio-chemicals business and its property, plant and equipment	
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 an impairment loss of ¥42,957 million on goodwill allocated to a group of cash-generating units related to the Bio-chemicals business and its property, plant and equipment 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 is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.</p> <p>The recoverable amount of the Bio-chemicals business in the annual impairment test for goodwill 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 for the business 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 increase in market share of the core products and new products. As the estimates thereof involved uncertainty, they had a significant effect on the calculation of the value in use. For the current fiscal year, the Bio-chemical business was severely affected by the suspension of production due to the Shanghai lockdown and increased competition in the sales market, which also had a significant effect on the above significant assumptions.</p> <p>In addition, selecting appropriate models and input data for the discount rate used to calculate the value in use required a high degree of valuation expertise. We, therefore, determined that our assessment of the reasonableness of the valuation of goodwill allocated to a group of cash-generating units related to the Bio-chemicals business and 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>	<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 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 value in use used in the impairment testing of 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 appropriateness of key assumptions underlying the business plan of the Bio-chemicals business 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; ● assessed the consistency of assumptions regarding the expected expansion of the market size of the core products and new products with the most recent available external information on market forecasts; ● assessed the appropriateness of assumptions regarding the expected increase in market share of the core products by conducting a trend analysis on the core products based on the past years’ actual sales results and evaluating the competitiveness of the core products over competing products; and ● assessed the appropriateness 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 new product sales. <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.

Reasonableness of the valuation of equity-accounted investments in FANCL CORPORATION	
The key audit matter	How the matter was addressed in our audit
<p>As described in Note 36. “Equity-accounted investees” to the consolidated financial statements, Kirin Holdings Company, Limited (the “Company”) recognized investments in FANCL CORPORATION (“FANCL”) of ¥128,257 million (5.0% of total assets) at the end of the current fiscal year. Equity-accounted investments need to be tested for impairment whenever there is an impairment indicator. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. As fair value of the investments in FANCL has decreased from the acquisition cost over time and there was an impairment indicator for the investments, the Company performed impairment testing at the end of the current fiscal year. After reviewing the results of the impairment testing, the Company recognized no impairment loss as the recoverable amount exceeded the carrying amount. The recoverable amount of the equity-accounted investments in FANCL in the impairment testing was measured based on the value in use. The value in use was calculated by discounting the estimated future cash flows based on the business plan of FANCL approved by its management to the present value. The business plan used as the basis for calculating the value in use included significant assumptions for the recovery of inbound demand and the increase in sales of the domestic online shopping channel and overseas markets. As the estimates thereof involved uncertainty, they had a significant effect on the calculation of the value in use. In addition, selecting appropriate models and input data for determining the discount rate used to calculate the value in use required a high degree of valuation expertise. We, therefore, determined that our assessment of the reasonableness of the valuation of the equity-accounted investments in FANCL was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of the valuation of goodwill related to the equity-accounted investments in FANCL included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the calculation of the value in use used in the impairment testing of equity-accounted investments, with a particular focus on the controls to validate the reasonableness of the estimated future cash flows.</p> <p>(2) Assessment of the reasonableness of the estimated value in use In order to assess the appropriateness of key assumptions underlying the business plan of FANCL used as the basis for calculating the value in use, we:</p> <ul style="list-style-type: none"> ● inquired of management of FANCL about the rationales for key assumptions and inquired of management of the Company about the details of the assessment of the appropriateness of the assumptions; ● assessed the consistency of assumptions regarding the recovery of inbound demand with the most recent available external information on market forecasts for the number of passengers, and conducted trend analysis based on the past years’ actual results; ● assessed the consistency of assumptions regarding the increase in sales of the domestic online shopping channel with online shopping market forecasts published by external organizations, and conducted trend analysis based on the past years’ actual results; and ● assessed the consistency of assumptions regarding the increase in sales of overseas markets with overseas market forecasts published by external organizations. <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.

Other Information

The other information comprises the information included in the Annual Securities Report but does not include the consolidated financial statements, the financial statements, and our auditor’s reports thereon. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors’ performance of their duties

with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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, 2022, 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, 2022, 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, 2023
[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]	Shinjiro Akieda, Senior Executive Officer
[Address of registered head office]	10-2, Nakano 4-chome, Nakano-ku, Tokyo, Japan
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) 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 Shinjiro Akieda, Senior Executive Officer, are responsible for designing and operating effective internal control over financial reporting of Kirin Holdings Company, Limited (the “Company”) and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in the report “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” released by the Business Accounting Council.

The internal control system is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. ASSESSMENT SCOPE, TIMING AND PROCEDURES

The assessment of internal control over financial reporting was performed as of December 31, 2022 which is the end of the fiscal year under review. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our overall financial reporting on a consolidated basis (“entity-level controls”) and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company’s financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-accounted investees, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined by taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for the Company, its consolidated subsidiaries and equity-accounted investees, we reasonably determined the scope of assessment of internal controls over business processes. Consolidated subsidiaries and equity-accounted investees determined to have an insignificant quantitative and qualitative influence on the reliability of financial reporting are not included in the scope of assessment of entity-level controls.

For the scope of assessment for internal control over business processes, five business locations of the Group were selected as significant business locations 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

Not applicable.

5. OTHER

Not applicable.