Disclosed Information on the Internet at the Time of Notifying Convocation of the 182nd Ordinary General Meeting of Shareholders

- **Business Report**
  Systems to ensure appropriate operation and the status of its implementation ···················································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································································
Business Report

Systems to ensure appropriate operation and the status of its implementation

(1) Basic policies for the 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:

(1) System to ensure compliance of performance of duties by the Directors, etc.* and employees of Kirin Group companies with laws and the articles of incorporation (Compliance System)
* Directors, etc., refers to Directors of the Board, Executive Officers and other business administrators. Also hereinafter.

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 (including the internal audit divisions of each Kirin Group company) shall carry out internal auditing to ensure that these systems are properly developed and applied.

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

(2) 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

(3) 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 (including the internal audit divisions of each Kirin Group company) shall carry out internal auditing to ensure that these systems are properly developed and applied in each Kirin Group company.
(4) System to ensure the efficient performance of duties by the Directors, 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, 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 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.

(5) System for reporting performance of duties by the Directors, 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, 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 auditing 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.

(6) 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.
(7) 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.

(8) System to ensure reporting to Audit & Supervisory Board Members of the Company by Directors, Audit & Supervisory Members and employees of the 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.

(9) 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.
(10) 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.

(11) Other systems to ensure efficient auditing 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 Outside 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.

(2) Implementation of internal control system

(1) System to ensure compliance of performance of duties by the Directors, etc. and employees of Kirin Group companies with laws and regulations, and the articles of incorporation (Compliance System)

The Kirin Group has established “Passion. Integrity. Diversity.” as “One KIRIN” Values, the common values of the Kirin Group, and is making efforts to instill these values in Directors of the Board, Audit & Supervisory Board Members, Executive Officers and employees of each Kirin Group company. Additionally, the Kirin Group has defined its views on compliance in “Kirin Group Compliance Guidelines” and is also publicizing and carrying out educational programs in order to promote awareness throughout the Kirin Group. Further, rules on the compliance hotline system have been formulated, “Kirin Group Direct Hotline to the Executive Officer in Charge of Compliance (Risk Management)” has been established, and each Kirin Group company has developed and implemented a compliance hotline system. As for the compliance hotline system, it protects the anonymity of whistleblowers and prohibits unfair treatment against such whistleblowers.

(2) 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 Company appropriately stores Minutes of Meetings of Shareholders, Minutes of Board Meetings and financial statements, etc., for the number of years pursuant to laws and regulations.
(3) Regulations and other systems related to the control of the risk of loss of the Kirin Group (Risk Management System)

The Kirin Group has established the “Group Risk Management Regulations” and the “Group Risk Management System Manual”, which set out the purpose, system and methods of risk management, and the “Group Crisis Management Manual”, which sets forth procedures to be taken in the event of a crisis, and publicizes and applies these rules to each of the Kirin Group companies. Additionally, at Board meetings and Group Risk and Compliance Committee meetings, activities conducted regarding risk management are reviewed and future activity plans are deliberated and reported.

(4) System to ensure the efficient performance of duties by the Directors, etc. of Kirin Group companies (Efficient Performance System)

The Company has clarified its decision-making rules, including the rules on matters to be resolved at the Board Meetings, based on the Rules of the Board. In this fiscal year, in addition to holding Board Meetings, the Group Executive Committee Meetings were held to deliberate prescribed matters. Additionally, the Company has adopted the executive officer system, in an effort to flexibly execute the strategies for each business and function, as well as to clarify the responsibility, and has been improving the efficiency of its decision-making.

The Company conducts performance management on each Kirin Group company through quarterly monitoring, etc., based on the Medium-Term Business Plan (from 2019 to 2021) and annual plans.

(5) System for reporting performance of duties by the Directors, etc. of Kirin Group companies and other systems to ensure appropriate operations (System for Reporting Performance of Duties and Other Group Internal Control System)

The Company’s Board confirmed the status of development and operation of the internal control system for this fiscal year.

Additionally, the Company has developed rules and standards related to the monitoring of each Kirin Group company based on the delegation policy, etc. of the Company and conducts monitoring on a quarterly basis.

(6) Items regarding employees as support staff for Audit & Supervisory Board Members of the Company when they request assignment of such support staff (Audit & Supervisory Board Member Related System)

The Company has established the Audit & Supervisory Board Support Section as a structure to assist duties of Audit & Supervisory Board Members in order to enhance the audit function of the Audit & Supervisory Board Members.
(7) Items related to the assurance that the employees assigned as support staff under section (6) remain independent from the Directors of the Board of the Company and to secure the effective implementation of instructions by Audit & Supervisory Board Members of the Company to such employees

Dedicated employees who are assigned as support staff for the Company’s Audit & Supervisory Board Members are independent from the performance of their duties of the Company, and do not report to, or take instructions from, anyone other than the Company’s Audit & Supervisory Board Members.

(8) System to ensure reporting to Audit & Supervisory Board Members of the Company by Directors, Audit & Supervisory Members and employees of Kirin Group companies

Each Kirin Group company has developed a compliance hotline system, and regularly reports on the status of its implementation to the Company’s Audit & Supervisory Board Members. The Company is also aiming to establish an appropriate compliance hotline system for the entire Kirin Group, through the implementation of the “Kirin Group Direct Hotline to the Audit & Supervisory Board Members”.

(9) System to ensure that persons who make reports to the Audit & Supervisory Board Members as outlined in the preceding provision are not treated unfairly

The Kirin Group has established rules related to the development and operation of the compliance hotline system, in order to ensure this system protects the anonymity of ones making reports as mentioned in the preceding provision and which prohibits unfair treatment of such persons, and has implemented and publicized such rules throughout each of the Kirin Group companies.

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

The Company has determined and appropriately implements policies related to prepayment or reimbursement procedures for expenses incurred in the performance of duties of the Audit & Supervisory Board Members of the Company.

(11) Other systems to ensure efficient auditing by Audit & Supervisory Board Members of the Company

During this fiscal year, the Company’s Audit & Supervisory Board Members had interviews with our President & Chief Executive Officer and exchanged information with Outside Directors, as well as participated in all of the Group Executive Committee Meetings held in this fiscal year.
### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From January 1, 2020 to December 31, 2020)

<table>
<thead>
<tr>
<th>Equity attributable to owners of the Company</th>
<th>Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign currency translation differences on foreign operations</td>
</tr>
<tr>
<td>Balance at January 1, 2020</td>
<td>(94,043)</td>
</tr>
<tr>
<td>Profit</td>
<td>71,935</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>2,337</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>2,337</td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>(55,326)</td>
</tr>
<tr>
<td>Acquisition of treasury shares</td>
<td>(76,796)</td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>2</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>38</td>
</tr>
<tr>
<td>Changes in the ownership interest in a subsidiary without a loss of control</td>
<td>4</td>
</tr>
<tr>
<td>Transfer from reserves to retained earnings</td>
<td>(6,003)</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
</tr>
<tr>
<td>Total transactions with owners of the Company</td>
<td>4</td>
</tr>
<tr>
<td>Balance at December 31, 2020</td>
<td>(91,702)</td>
</tr>
</tbody>
</table>

*Amounts are rounded to the nearest ¥1 million.
Notes to Consolidated Financial Statements

Significant Accounting Policies

1. Accounting standards of consolidated financial statements
   The consolidated financial statements of the Company and its consolidated subsidiaries
   (the “Group”) are prepared in accordance with International Financial Reporting
   Standards (“IFRS”), pursuant to Article 120, Paragraph 1 of the Rules of Corporate
   Accounting. Certain disclosure items required by IFRS are omitted pursuant to the latter
   part of that paragraph.

2. Consolidation
   Consolidated subsidiaries: 153 companies
   Major consolidated subsidiaries: Kirin Brewery Company, Limited, Kirin Beverage
   Company, Limited, Lion Pty Limited, Kyowa Kirin Company, Limited, Mercian
   Corporation, Kyowa Hakko Bio Company, Limited, Myanmar Brewery Limited, Coca-
   Cola Beverages Northeast, Inc.

3. Equity method
   Companies accounted for by the equity method: 35 companies
   Major associate companies: FANCL CORPORATION, San Miguel Brewery Inc.,
   China Resources Kirin Beverages (Greater China) Company, Limited

4. Accounting policies
   (1) Measurement of financial assets
      ① Non-derivative financial assets
         1) Initial recognition and measurement
            Financial assets are classified into financial assets measured at fair value through
            profit or loss, at fair value through other comprehensive income, and at amortized
            cost. 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.
               Of financial assets measured at fair value, each equity instrument is designated
               as measured at fair value through profit or loss or as measured at fair value
               through other comprehensive income. Such designations are applied on an
               ongoing basis.
               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.
         2) 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 gain recognized as capital through other comprehensive income is transferred to retained earnings.

3) Derecognition
Financial assets are derecognized when the rights to receive benefits from them expire or are transferred, or when substantially all the risks and rewards of ownership are transferred.

4) 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 credit quality after the recognition of financial assets are recorded in profit or loss as changes in estimates.
After initial recognition, at the reporting date, expected credit losses are measured based on the following classification into three stages of financial instruments:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Explanation</th>
<th>Measurement method of expected credit losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>Financial instruments for which credit risk has not increased significantly since initial recognition</td>
<td>12-month expected credit loss</td>
</tr>
<tr>
<td>Stage 2</td>
<td>Financial instruments for which credit risk has increased significantly since initial recognition</td>
<td>Lifetime expected credit loss</td>
</tr>
<tr>
<td>Stage 3</td>
<td>Financial instruments for which there is evidence of credit impairment</td>
<td>Lifetime expected credit loss</td>
</tr>
</tbody>
</table>

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 credit 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.

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.

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.

 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 as other 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 highly effective in offsetting changes in cash flows, they are assessed on an ongoing basis to determine whether they have actually been highly 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:

1) Cash flow hedge

The effective portion of gains or losses on hedging instruments is recognized as other 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 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 or firm commitments 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, or when the hedge designation is revoked, the amounts that have been recognized in equity through other comprehensive income continue to be recorded in equity until the forecast transactions or firm commitments occur.
2) 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 as other 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.

(2) Measurement of 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.

(3) Measurement and depreciation or amortization of Property, plant and equipment and intangible assets
① Property, plant and equipment
Property, plant, and equipment is measured using the cost model after initial recognition and is stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes any costs directly attributable to the acquisition of the asset and the initial estimate of the costs of dismantling, removal and restoration. The depreciation of assets other than land and construction in progress is recorded using the straight-line method over their estimated useful lives. The estimated useful lives of major assets by category are as follows:
- Buildings and structures: 2-65 years
- Machinery, equipment and vehicles: 2-30 years
- Tools, fixtures and fittings: 2-20 years
Depreciation methods, useful lives and residual values are reviewed at each year-end, and if any changes are required, such changes are applied prospectively as changes in accounting estimates.

② 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 or 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 units for internal management purposes are altered, goodwill is reallocated to each cash-generating unit or group of cash-generating units based on the altered units for internal management purposes.

③ 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, employee benefit expenses incurred and costs related to services consumed in internally generating the intangible asset.
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:
1) 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.

2) 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.

3) Software in progress
   Software in progress, which is software under development, is recognized at cost. It is transferred to other intangible assets (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.

4) Other
   Other intangible assets are initially recognized at cost. Those with finite useful lives are amortized using the straight-line method over their estimated useful lives, and are tested for impairment whenever there is any indication of impairment. Those with indefinite useful lives are not amortized and are tested for impairment annually and whenever there is any indication of impairment.
   Amortization methods, useful lives and residual values are reviewed at each year-end, and if any changes are required, such changes are applied prospectively as changes in accounting estimates.

④ 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.

5) Impairment of non-financial assets
The Group tests goodwill and intangible assets with indefinite useful lives 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, deferred tax assets and defined benefit asset. 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.
(4) 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.
Regarding uncertain tax treatments, the Company recognizes reasonably estimated amounts as assets or liabilities, when it is considered probable that the tax authority will not accept the tax treatment based under interpretation of tax law.
Consolidated taxation system is applied by the Company and certain subsidiaries.

(5) 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.
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 future cash flows.

(6) 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 service rendered by employees, and
      the obligations can be reliably estimated.

(7) 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

(8) 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 an approximation of the rate.
      At the reporting date, 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 other comprehensive income 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 transferred to profit or loss in the period of disposal.

(9) Consumption taxes
Consumption taxes are excluded from the revenue and expense accounts which are subject to such taxes.
Notes to the Consolidated Statement of Financial Position

1. Accumulated depreciation of property, plant and equipment ¥1,164,995 million

2. Pledged assets
   Equity Instruments ¥644 million

3. Allowance for doubtful accounts directly deducted from assets
   Other financial assets ¥1,937 million
   Trade and other receivables ¥1,534 million

4. Guarantee obligations
   Guarantees for loan obligations of associates and other companies ¥1,297 million
   Guarantees for loan obligations of employees ¥235 million
   Total ¥1,532 million
Notes to the Consolidated Statement of Changes in Equity

1. Type and number of shares outstanding and treasury shares

(1) Shares outstanding

<table>
<thead>
<tr>
<th>Type of shares outstanding</th>
<th>common stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares at January 1, 2020</td>
<td>914,000,000 shares</td>
</tr>
<tr>
<td>Increase in number of shares during the year ended December 31, 2020</td>
<td>-</td>
</tr>
<tr>
<td>Decrease in number of shares during the year ended December 31, 2020</td>
<td>-</td>
</tr>
<tr>
<td>Number of shares at December 31, 2020</td>
<td>914,000,000 shares</td>
</tr>
</tbody>
</table>

(2) Treasury shares

<table>
<thead>
<tr>
<th>Type of treasury shares</th>
<th>common stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares at January 1, 2020</td>
<td>45,271,331 shares</td>
</tr>
<tr>
<td>Increase in number of shares during the year ended December 31, 2020 (Note 1)</td>
<td>35,115,134 shares</td>
</tr>
<tr>
<td>Decrease in number of shares during the year ended December 31, 2020 (Note 2)</td>
<td>1,113 shares</td>
</tr>
<tr>
<td>Number of shares at December 31, 2020 (Note 3)</td>
<td>80,385,352 shares</td>
</tr>
</tbody>
</table>

Notes:
1. Increase in the number of shares was due to purchases of 10,134 less-than-one-unit shares and acquisition of 35,105,000 treasury shares.
2. Decrease in the number of shares was due to sales of 1,113 less-than-one-unit shares.
3. Number of shares at December 31, 2020 includes 388,000 shares held in the BIP (Board Incentive Plan) Trust.

2. Matters related to dividends

(1) Dividend payments

Approvals by Ordinary General Meeting of Shareholders held on March 27, 2020 were as follows:
Dividend on Common Stock
a. Total amount of dividend ¥28,234 million
b. Dividend per share ¥32.50
c. Record date December 31, 2019
d. Effective date March 30, 2020

Approvals by the Board of Directors’ Meeting held on August 7, 2020 were as follows:
Dividend on Common Stock
a. Total amount of dividend ¥27,105 million
b. Dividend per share ¥32.50
c. Record date June 30, 2020
d. Effective date September 4, 2020

Note: The total amount of dividend includes ¥13 million of dividend for the Company’s shares held by the BIP Trust.

(2) Dividends whose record date is attributable to, but to be effective after, the year ended December 31, 2020.

Proposals at the Ordinary General Meeting of Shareholders to be held on March 30, 2021 will be as follows:
Dividend on Common Stock
a. Total amount of dividend ¥27,105 million
b. Source of dividends Retained earnings
c. Dividend per share ¥32.50
d. Record date  December 31, 2020

Effective date  March 31, 2021

Note: The total amount of dividend includes ¥13 million of dividend for the Company’s shares held by the BIP Trust.
Notes for Financial Instruments

1. Overview of 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 lean 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.
(a) Credit risk
In accordance with the internal policies for managing credit risk arising from trade receivables, in each sales division, the Company and some of its 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.
(b) Liquidity risk
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 such risk 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.
(c) Market risk
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.
2) Interest rate risk
Interest-bearing liabilities with floating interest rates are exposed to interest rate risk. For those with long-term maturities, the Group uses interest rate swaps to avoid interest rate fluctuation risk by converting floating interest into fixed interest.
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.

2. Fair values of financial instruments
The following table shows the amounts of financial instruments recorded in the consolidated statement of financial position at December 31, 2020 and their fair value. The fair value of financial instruments measured at fair value on a recurring basis is equal to their carrying amount, and the fair value of short-term financial assets and liabilities measured at amortized cost is approximately equal to their carrying amount. Therefore, they are not included in the table.

<table>
<thead>
<tr>
<th></th>
<th>Amount recorded in the consolidated statement of financial position</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds (Notes 1 and 3)</td>
<td>209,362</td>
<td>209,115</td>
</tr>
<tr>
<td>Long-term borrowings (Notes 2 and 3)</td>
<td>274,009</td>
<td>275,208</td>
</tr>
</tbody>
</table>

Notes: 1. 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.
2. 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.
3. The balance due within one year is included.

**Notes for Per Share Information**

1. Equity per share attributable to owners of the Company: ¥1,005.96
2. Basic earnings per share: ¥85.57

**Additional Information**

1. Accounting estimates
The Company has reviewed its accounting estimates and assumptions in light of the impacts from the decline in sales accompanying the suspension of operations at restaurants, etc. and from restrictions on the business activities of each business, due to the spread of COVID-19 and other factors. Although there will be differences among the Group’s operating businesses and regions in which the Group operates, the Company has made accounting estimates by assuming that the spread of COVID-19 will generally settle by the end of the next fiscal year and the decline in demand will recover in the next few years. However, the actual time of recovery is uncertain and future development may have an impact on the accounting estimates.

2. Transfer of Oceania Non-alcoholic Beverages business
Lion Pty Limited, the Company’s Australian subsidiary, concluded an agreement on November 26, 2020 to transfer its Oceania Non-alcoholic Beverages business to Bega Cheese Limited, and the transfer was completed on January 25, 2021. The transfer of this business will have a negligible impact on the Group’s performance for the year ending December 31, 2021. The assets and liabilities of the Oceania Non-alcoholic Beverages business at the end of the current fiscal year are classified as assets held for sale and liabilities directly associated with assets held for sale, respectively.
## STATEMENT OF CHANGES IN NET ASSETS

*(From January 1, 2020 to December 31, 2020)*

(¥ millions)

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Other retained earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>Add. paid-in cap</td>
<td>Other capital surplus</td>
<td>Total capital surplus</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------------</td>
<td>-------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Balance at Jan 1, 2020</td>
<td>102,046</td>
<td>81,412</td>
<td>65</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to reserve for deferred gain on sale of property</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus (interim dividends)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of treasury shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td></td>
<td></td>
<td>(167)</td>
</tr>
<tr>
<td>Transfer from retained earnings to capital surplus</td>
<td></td>
<td>102</td>
<td>102</td>
</tr>
<tr>
<td>Net changes of items other than shareholders’ equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td></td>
<td>-</td>
<td>(65)</td>
</tr>
<tr>
<td>Balance at Dec 31, 2020</td>
<td>102,046</td>
<td>81,412</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Valuation and translation adjustments</th>
<th>Shareholders’ equity</th>
<th>Total shareholders’ equity</th>
<th>Net unrealized gains on securities</th>
<th>Total valuation and translation adjustments</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at Jan 1, 2020</td>
<td>(124,793)</td>
<td>1,035,821</td>
<td>5,891</td>
<td>5,891</td>
<td>1,041,712</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to reserve for deferred gain on sale of property</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>(28,234)</td>
<td></td>
<td></td>
<td></td>
<td>(28,234)</td>
</tr>
<tr>
<td>Dividends from surplus (interim dividends)</td>
<td>(27,093)</td>
<td></td>
<td></td>
<td></td>
<td>(27,093)</td>
</tr>
<tr>
<td>Net income</td>
<td>79,333</td>
<td></td>
<td></td>
<td></td>
<td>79,333</td>
</tr>
<tr>
<td>Acquisition of treasury shares</td>
<td>(76,796)</td>
<td>(76,796)</td>
<td></td>
<td></td>
<td>(76,796)</td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Transfer from retained earnings to capital surplus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net changes of items other than shareholders’ equity</td>
<td></td>
<td>(1,872)</td>
<td></td>
<td></td>
<td>(1,872)</td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td>(76,627)</td>
<td>(52,787)</td>
<td>(1,872)</td>
<td>(1,872)</td>
<td>(54,658)</td>
</tr>
<tr>
<td>Balance at Dec 31, 2020</td>
<td>(201,420)</td>
<td>983,034</td>
<td>4,020</td>
<td>4,020</td>
<td>987,054</td>
</tr>
</tbody>
</table>

*Amounts are rounded to the nearest ¥1 million.*
Notes to Financial Statements

Significant Accounting Policies

1. Measurement of assets
   (1) Measurement of securities
      (a) Shares of subsidiaries and affiliates are stated at cost determined by the moving-average method.
      (b) Available-for-sale securities
         1) Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average method.
         2) Available-for-sale securities without fair market value are stated at the moving-average cost.
   (2) Derivative financial instruments
      Derivative financial instruments are stated at fair value.

2. Property, plant and equipment and intangible assets
   (1) Property, plant and equipment (excluding leased assets) are stated at cost net of accumulated depreciation and accumulated loss from impairment. Depreciation of property, plant and equipment (excluding leased assets) is calculated using the straight-line method.
   (2) Amortization of intangible assets (excluding leased assets) is calculated using the straight-line method.
      Amortization of software for internal use is calculated using the straight-line method based on the estimated usage period by the Company, which is mainly 5 years. However, certain assets acquired on and after January 1, 2018 are amortized over a period of 10 years.
   (3) Depreciation of leased assets pertaining to finance lease transactions without transfer of ownership is calculated using the straight-line method with the lease term as the useful life and residual value at zero.

3. Allowances and reserves
   (1) Allowance for doubtful accounts
      The Company provides allowance for doubtful accounts in an amount sufficient to cover probable losses on collection. The allowance for doubtful accounts consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historic percentage of collection losses.
   (2) Allowance for employees’ bonuses
      The Company provides allowance for employees’ bonuses based on the estimated amounts payable.
   (3) Allowance for bonuses for directors and corporate auditors
      The Company provides allowance for bonuses for directors and corporate auditors based on the estimated amounts payable.
   (4) Reserve for retirement benefits
      The Company provides allowance for employees’ pension and retirement benefits at the balance sheet date based on the estimated amounts of projected retirement benefit obligations at the end of the fiscal year. In calculating retirement benefit obligation, the benefit formula basis is used for attributing expected retirement benefits for the period up to the end of the current fiscal year. Past service costs are amortized by the straight-
line method over a certain number of years (13 years) within the average of the remaining years of service to be performed by the employees at the time incurred. Actuarial gains and losses are amortized by the straight-line method over a certain number of years (13 years) within the average of the estimated remaining years of service to be performed by the employees at the time incurred, beginning from the following fiscal year.

4. Other significant matters serving as the basis for the preparation of financial statements
   (1) Hedge accounting
   The Company adopts differed hedge accounting method in principle. However, some items are translated at the corresponding rate for foreign exchange contract, and a special accounting treatment is applied for interest rate swap, in case of meeting certain hedging criteria.

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

   (3) Application of the consolidated taxation system
   The Company and certain subsidiaries apply the consolidated taxation system.

   (4) Application of tax effect accounting on transition from the consolidated taxation system to the group tax sharing system
   With regard to the transition to the group tax sharing system introduced by the “Act Partially Amending the Income Tax Act, etc.” (Act No. 8 of 2020) and items reviewed under the non-consolidated taxation system in line with the transition to the group tax sharing system, the Company applied the provisions of the Tax Act prior to the revisions in determining the balance of deferred tax assets and liabilities instead of applying Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), pursuant to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020).

**Notes to Changes in Presentation Methods**

(Statement of income)
“Foreign exchange losses,” which was included in “Other” under “Non-operating expenses” for the previous fiscal year, has become more material in monetary terms and is therefore presented as a separate item from the current fiscal year. “Foreign exchange losses” included in “Other” in the previous fiscal year was ¥276 million.

**Notes to the Balance Sheet**

1. Monetary debts due from and to subsidiaries and affiliates
   - Short-term monetary debts due from subsidiaries and affiliates  ¥237,619 million
   - Long-term monetary debts due from subsidiaries and affiliates  ¥1,250 million
   - Short-term monetary debts due to subsidiaries and affiliates  ¥295,506 million
   - Long-term monetary debts due to subsidiaries and affiliates  ¥1,558 million
2. Accumulated depreciation of property, plant and equipment  ¥25,426 million

3. Contingent liabilities
   Guarantees for loans from banks and others of subsidiaries and affiliates  ¥3,953 million
   Guarantees for employee loans from banks and others  ¥235 million
   Total  ¥4,188 million

**Notes to the Statement of Income**

Transactions with subsidiaries and affiliates (excluding those separately presented)
   Operating revenue  ¥54,250 million
   Operating expenses  ¥5,595 million
   Transactions other than operating transactions  ¥1,506 million
Notes to the Statement of Changes in Net Assets

<table>
<thead>
<tr>
<th>Type of treasury shares</th>
<th>common stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares at January 1, 2020</td>
<td>45,271,331 shares</td>
</tr>
<tr>
<td>Increase in number of shares during the year ended December 31, 2020 (Note 1)</td>
<td>35,115,134 shares</td>
</tr>
<tr>
<td>Decrease in number of shares during the year ended December 31, 2020 (Note 2)</td>
<td>1,113 shares</td>
</tr>
<tr>
<td>Number of shares at December 31, 2020 (Note 3)</td>
<td>80,385,352 shares</td>
</tr>
</tbody>
</table>

Notes:  
1. Increase in the number of shares was due to purchases of 10,134 less-than-one-unit shares and acquisition of 35,105,000 treasury shares.  
2. Decrease in the number of shares was due to sales of 1,113 less-than-one-unit shares.  
3. Number of shares at December 31, 2020 includes 388,000 shares held in the BIP (Board Incentive Plan) Trust.

Notes for Deferred Income Taxes

1. Major components of deferred tax assets  
   Shares and investments in capital of subsidiaries and affiliates ¥31,567 million  
   Unused tax losses ¥28,180 million  
   Other ¥15,553 million  
   Subtotal ¥75,299 million  
   Valuation allowance related to unused tax losses ¥(13,561) million  
   Valuation allowance related to total deductible temporary differences ¥(36,054) million  
   Subtotal ¥(49,615) million  
   Total deferred tax assets ¥25,685 million

2. Major components of deferred tax liabilities  
   Net unrealized gains on securities ¥(1,779) million  
   Other ¥(684) million  
   Total deferred tax liabilities ¥(2,463) million
### Notes for Transactions with Related Parties

<table>
<thead>
<tr>
<th>Type</th>
<th>Company name</th>
<th>Ratio of voting rights held by the Company</th>
<th>Relationship with the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Directors and corporate auditors</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Kirin Brewery Company, Limited</td>
<td>Owned directly 100%</td>
<td>Concurrent 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Mercian Corporation</td>
<td>Owned directly 100%</td>
<td>-</td>
</tr>
</tbody>
</table>
| Subsidiary | Kyowa Hakko Bio Company, Limited      | Owned directly 95%  
Owned indirectly 5% | Concurrent 2                       | Lending and borrowing of funds         |
<p>| Subsidiary | Kyowa Kirin Company, Limited          | Owned directly 54%                         | Concurrent 2                       | Lending and borrowing of funds             |</p>
<table>
<thead>
<tr>
<th>Type</th>
<th>Company name</th>
<th>Transaction details</th>
<th>Transaction amount (¥ millions)</th>
<th>Item</th>
<th>Balance at end of year (¥ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary</td>
<td>Kirin Brewery Company, Limited</td>
<td>Lending of funds (Notes 1 and 2)</td>
<td>72,020</td>
<td>Short-term loans receivable</td>
<td>91,049</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Management guidance service fees (Note 4)</td>
<td>36,980</td>
<td>Accrued income</td>
<td>3,866</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Settlement of personnel expenses of employees seconded out (Note 5)</td>
<td>11,304</td>
<td>Advances paid</td>
<td>2,231</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Settlement of personnel expenses of employees seconded in (Note 6)</td>
<td>6,716</td>
<td>Accrued expenses</td>
<td>1,106</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Mercian Corporation</td>
<td>Lending of funds (Notes 1 and 2)</td>
<td>22,320</td>
<td>Short-term loans receivable</td>
<td>24,129</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Kyowa Hakko Bio Company, Limited</td>
<td>Lending of funds (Notes 1 and 2)</td>
<td>16,826</td>
<td>Short-term loans receivable</td>
<td>47,352</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Paid-in capital reduction (Note 7)</td>
<td>28,500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Kyowa Kirin Company, Limited</td>
<td>Borrowing of funds (Notes 1 and 3)</td>
<td>257,707</td>
<td>Short-term loans payable</td>
<td>260,026</td>
</tr>
</tbody>
</table>

Conditions of transactions and policy regarding determination of conditions of transactions

Notes:
1. Recurrent transaction amounts of lending and borrowing of funds show average outstanding balances during this fiscal year.
2. Interest rates of loans receivable are determined based on market interest rates.
3. Interest rates of loans payable are determined based on market interest rates.
4. Management guidance service fees are determined upon mutual discussion taking into account the content of operations.
5. Advance payments for personnel expenses of the employees seconded to subsidiaries
6. Settlement amount of personnel expenses of employees seconded in which had been paid in advance by the subsidiaries
7. The amount of paid-in capital reduction implemented by Kyowa Hakko Bio Company, Limited
8. Transaction amounts above do not include foreign currency translation gain or loss. Transaction amounts do not include consumption taxes.
Notes for Per Share Information

1. Net assets per share: ¥1,184.06
2. Net income per share: ¥94.37