

Financial Statements

SAPPORO HOLDINGS LIMITED

Year ended December 31, 2019
with Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
SAPPORO HOLDINGS LIMITED

We have audited the accompanying consolidated financial statements of SAPPORO HOLDINGS LIMITED and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SAPPORO HOLDINGS LIMITED and its consolidated subsidiaries as at December 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

March 27, 2020
Tokyo, Japan

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

i) Consolidated Statement of Financial Position

As of	Note	(Millions of yen)		(Thousands of U.S. dollars)
		December 31, 2018	December 31, 2019	December 31, 2019
Assets				
Current assets				
Cash and cash equivalents	8	9,989	15,215	138,887
Trade and other receivables	9	93,340	92,529	844,628
Inventories	11	37,109	36,528	333,435
Other financial assets	10	4,790	5,403	49,319
Other current assets	12	8,316	6,090	55,594
Total current assets		153,544	155,765	1,421,863
Non-current assets				
Property, plant and equipment	13	152,676	147,014	1,341,977
Investment property	15	215,522	219,589	2,004,464
Goodwill	14	21,229	18,358	167,580
Intangible assets	14	12,056	8,844	80,727
Investments accounted for using equity method	17	410	428	3,908
Other financial assets	10	70,205	78,728	718,652
Other non-current assets	12	8,526	7,445	67,961
Deferred tax assets	18	5,523	2,551	23,282
Total non-current assets		486,148	482,957	4,408,551
Total assets		639,692	638,722	5,830,414

The accompanying notes to consolidated financial statements are an integral part of these statements.

As of	Note	(Millions of yen)		(Thousands of U.S. dollars)
		December 31, 2018	December 31, 2019	December 31, 2019
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	21	35,292	34,475	314,701
Bonds and borrowings	19	73,863	72,121	658,338
Lease liabilities	20	6,743	6,538	59,682
Income taxes payable		1,527	2,414	22,031
Other financial liabilities	23	33,905	33,021	301,425
Other current liabilities	24	63,260	61,903	565,066
Total current liabilities		214,591	210,472	1,921,243
Non-current liabilities				
Bonds and borrowings	19	154,483	155,220	1,416,888
Lease liabilities	20	24,495	23,921	218,357
Other financial liabilities	23	45,733	46,624	425,594
Retirement benefit liability	22	11,715	5,007	45,705
Other non-current liabilities	24	2,991	2,828	25,817
Deferred tax liabilities	18	20,950	20,125	183,707
Total non-current liabilities		260,367	253,725	2,316,068
Total liabilities		474,957	464,197	4,237,311
Equity				
Share capital		53,887	53,887	491,891
Capital surplus		40,998	40,958	373,871
Treasury shares		(1,822)	(1,792)	(16,357)
Retained earnings		46,065	51,521	470,299
Other components of equity		22,373	29,497	269,259
Total equity attributable to owners of parent		161,501	174,071	1,588,963
Non-controlling interests		3,234	454	4,140
Total equity		164,735	174,524	1,593,103
Total liabilities and equity		639,692	638,722	5,830,414

The accompanying notes to consolidated financial statements are an integral part of these statements.

ii) Consolidated Statement of Profit or Loss

		(Millions of yen)		(Thousands of U.S. dollars)
For the fiscal year ended	Note	December 31, 2018	December 31, 2019	December 31, 2019
Continuing operations				
Revenue	6, 27	493,908	491,896	4,490,148
Cost of sales		335,631	336,682	3,073,320
Gross profit		158,277	155,213	1,416,827
Selling, general and administrative expenses		143,118	143,490	1,309,812
Other operating income	30	3,009	3,528	32,201
Other operating expenses	30	6,580	3,044	27,783
Operating profit	6	11,588	12,208	111,434
Finance income	31	1,139	1,227	11,202
Finance costs	31	2,117	1,864	17,016
Share of profit of investments accounted for using equity method	17	19	18	161
Profit before tax		10,629	11,588	105,781
Income tax expense	18	2,023	4,259	38,879
Profit from continuing operations		8,606	7,329	66,903
Discontinued operations				
Loss from discontinued operations	40	(886)	(3,509)	(32,031)
Profit		7,721	3,820	34,871
Profit attributable to				
Owners of parent		8,521	4,356	39,763
Non-controlling interests		(801)	(536)	(4,892)
Profit		7,721	3,820	34,871
Basic earnings (loss) per share (Yen or U.S. dollars)	34			
Continuing operations		114.55	99.39	0.91
Discontinued operations		(5.15)	(43.46)	(0.40)
Basic earnings per share		109.40	55.92	0.51
Diluted earnings (loss) per share (Yen or U.S. dollars)	34			
Continuing operations		109.37	93.55	0.85
Discontinued operations		(4.91)	(40.81)	(0.37)
Diluted earnings per share		104.46	52.74	0.48

The accompanying notes to consolidated financial statements are an integral part of these statements.

iii) Consolidated Statement of Comprehensive Income

		(Millions of yen)		(Thousands of U.S. dollars)
For the fiscal year ended	Note	December 31, 2018	December 31, 2019	December 31, 2019
Profit		7,721	3,820	34,871
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	32	(9,201)	6,411	58,521
Remeasurements of defined benefit plans	32	(3,688)	4,595	41,941
Total of items that will not be reclassified to profit or loss		(12,890)	11,006	100,462
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	32	(2,765)	885	8,083
Effective portion of net change in fair value of cash flow hedges	32	(69)	204	1,864
Total of items that may be reclassified to profit or loss		(2,834)	1,090	9,946
Total other comprehensive income, net of tax		(15,724)	12,095	110,409
Comprehensive income		(8,003)	15,915	145,280
Comprehensive income attributable to				
Owners of parent		(6,987)	16,104	146,998
Non-controlling interests		(1,016)	(188)	(1,718)
Comprehensive income		(8,003)	15,915	145,280

The accompanying notes to consolidated financial statements are an integral part of these statements.

iv) Consolidated Statement of Changes in Equity
For the fiscal year ended December 31, 2018

(Millions of yen)

	Note	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity				
						Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total
Balance as of January 1, 2018		53,887	40,825	(1,807)	44,491	1,137	(191)	33,712	—	34,659
Profit					8,521					
Other comprehensive income	32					(2,622)	2	(9,200)	(3,688)	(15,508)
Comprehensive income		—	—	—	8,521	(2,622)	2	(9,200)	(3,688)	(15,508)
Purchase of treasury shares	25			(20)						—
Disposal of treasury shares	25		0	5						—
Issuance of convertible bonds with share acquisition rights			182							—
Dividends	26				(3,122)					—
Share-based payment transactions	35		(9)							—
Transfer to retained earnings					(3,826)			(466)	3,688	3,222
Total transactions with owners		—	173	(15)	(6,947)	—	—	(466)	3,688	3,222
Balance as of December 31, 2018		53,887	40,998	(1,822)	46,065	(1,485)	(188)	24,046	—	22,373

	Note	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2018		172,055	3,655	175,710
Profit		8,521	(801)	7,721
Other comprehensive income	32	(15,508)	(215)	(15,724)
Comprehensive income		(6,987)	(1,016)	(8,003)
Purchase of treasury shares	25	(20)	—	(20)
Disposal of treasury shares	25	6	—	6
Issuance of convertible bonds with share acquisition rights		182	—	182
Dividends	26	(3,122)	(8)	(3,130)
Share-based payment transactions	35	(9)	—	(9)
Transfer to retained earnings		(603)	603	—
Total transactions with owners		(3,566)	595	(2,972)
Balance as of December 31, 2018		161,501	3,234	164,735

The accompanying notes to consolidated financial statements are an integral part of these statements.

For the fiscal year ended December 31, 2019

(Millions of yen)

	Note	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity				
						Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total
Balance as of January 1, 2019		53,887	40,998	(1,822)	46,065	(1,485)	(188)	24,046	—	22,373
Profit					4,356					
Other comprehensive income	32					622	120	6,411	4,595	11,748
Comprehensive income		—	—	—	4,356	622	120	6,411	4,595	11,748
Purchase of treasury shares	25			(9)						—
Disposal of treasury shares	25		0	39						—
Dividends	26				(3,277)					—
Changes due to sale of consolidated subsidiaries					(245)					—
Share-based payment transactions	35		(41)							—
Transfer to retained earnings					4,623			(28)	(4,595)	(4,623)
Total transactions with owners		—	(41)	30	1,100	—	—	(28)	(4,595)	(4,623)
Balance as of December 31, 2019		53,887	40,958	(1,792)	51,521	(863)	(68)	30,428	—	29,497

	Note	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2019		161,501	3,234	164,735
Profit		4,356	(536)	3,820
Other comprehensive income	32	11,748	348	12,095
Comprehensive income		16,104	(188)	15,915
Purchase of treasury shares	25	(9)	—	(9)
Disposal of treasury shares	25	39	—	39
Dividends	26	(3,277)	(12)	(3,289)
Changes due to sale of consolidated subsidiaries		(245)	(2,580)	(2,826)
Share-based payment transactions	35	(41)	—	(41)
Transfer to retained earnings		—	—	—
Total transactions with owners		(3,534)	(2,592)	(6,126)
Balance as of December 31, 2019		174,071	454	174,524

The accompanying notes to consolidated financial statements are an integral part of these statements.

For the fiscal year ended December 31, 2019

(Thousands of U.S. dollars)

	Note	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity				
						Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total
Balance as of January 1, 2019		491,891	374,242	(16,629)	420,491	(13,553)	(1,717)	219,495	—	204,226
Profit					39,763					
Other comprehensive income	32					5,678	1,094	58,521	41,941	107,235
Comprehensive income		—	—	—	39,763	5,678	1,094	58,521	41,941	107,235
Purchase of treasury shares	25			(85)						—
Disposal of treasury shares	25		3	357						—
Dividends	26				(29,917)					—
Changes due to sale of consolidated subsidiaries					(2,240)					—
Share-based payment transactions	35		(373)							—
Transfer to retained earnings					42,201			(260)	(41,944)	(42,201)
Total transactions with owners		—	(371)	272	10,044	—	—	(260)	(41,944)	(42,201)
Balance as of December 31, 2019		491,891	373,871	(16,357)	470,299	(7,874)	(623)	277,756	—	269,259

	Note	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2019		1,474,221	29,521	1,503,741
Profit		39,763	(4,892)	34,871
Other comprehensive income	32	107,235	3,174	110,409
Comprehensive income		146,998	(1,718)	145,280
Purchase of treasury shares	25	(85)	—	(85)
Disposal of treasury shares	25	360	—	360
Dividends	26	(29,917)	(107)	(30,025)
Changes due to sale of consolidated subsidiaries		(2,240)	(23,555)	(25,795)
Share-based payment transactions	35	(373)	—	(373)
Transfer to retained earnings		—	—	—
Total transactions with owners		(32,256)	(23,663)	(55,918)
Balance as of December 31, 2019		1,588,963	4,140	1,593,103

The accompanying notes to consolidated financial statements are an integral part of these statements.

v) Consolidated Statement of Cash Flows

		(Millions of yen)		(Thousands of U.S. dollars)
For the fiscal year ended	Note	December 31, 2018	December 31, 2019	December 31, 2019
Cash flows from operating activities				
Profit before tax		10,629	11,588	105,781
Loss before tax from discontinued operations		(1,137)	(5,102)	(46,572)
Depreciation and amortization		28,512	28,242	257,805
Impairment losses		5,430	1,342	12,253
Loss on sale of discontinued operations		—	4,886	44,602
Interest and dividend income		(1,123)	(1,185)	(10,820)
Interest expenses		2,368	2,248	20,521
Share of loss (profit) of investments accounted for using equity method		(19)	(18)	(161)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets		(659)	(1,599)	(14,596)
Decrease (increase) in trade and other receivables		4,209	849	7,753
Decrease (increase) in inventories		70	(210)	(1,913)
Increase (decrease) in trade and other payables		(830)	(754)	(6,883)
Increase (decrease) in accrued alcohol tax		(1,950)	(1,414)	(12,905)
Other		(2,968)	274	2,498
Subtotal		42,533	39,149	357,362
Interest and dividends received		1,150	1,188	10,847
Interest paid		(2,197)	(2,101)	(19,177)
Income taxes paid		(10,657)	(2,167)	(19,782)
Net cash provided by (used in) operating activities		30,830	36,069	329,250
Cash flows from investing activities				
Purchase of property, plant and equipment		(13,581)	(14,995)	(136,879)
Proceeds from sale of property, plant and equipment		1,729	387	3,531
Purchase of investment property		(4,712)	(13,211)	(120,593)
Purchase of intangible assets		(2,220)	(2,917)	(26,627)
Purchase of investment securities		(6,345)	(1,710)	(15,605)
Proceeds from sale of investment securities		1,455	1,045	9,539
Purchase of investments in subsidiaries resulting in change in scope of consolidation	33	—	(1,633)	(14,908)
Payments for sale of investments in subsidiaries resulting in change in scope of consolidation	33	—	(491)	(4,485)
Proceeds from sale of discontinued operations	33	—	1,798	16,414
Purchase of trust beneficiary right (investment property)		(2,523)	—	—
Proceeds from sale of trust beneficiary right (investment property)		7,239	8,586	78,375
Payments for loans receivable		(139)	(182)	(1,666)
Collection of loans receivable		4,081	129	1,177
Other		(3,712)	(1,735)	(15,836)
Net cash provided by (used in) investing activities		(18,727)	(24,930)	(227,563)

For the fiscal year ended	Note	(Millions of yen)		(Thousands of U.S. dollars)
		December 31, 2018	December 31, 2019	December 31, 2019
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	33	(264)	920	8,402
Net increase (decrease) in commercial papers	33	(3,500)	(6,500)	(59,334)
Proceeds from long-term borrowings	33	12,000	21,370	195,071
Repayments of long-term borrowings	33	(22,524)	(21,486)	(196,128)
Proceeds from issuance of bonds	33	20,021	20,000	182,565
Redemption of bonds	33	(10,068)	(10,013)	(91,403)
Dividends paid		(3,133)	(3,290)	(30,035)
Repayments of lease liabilities	33	(7,038)	(7,016)	(64,040)
Purchase of treasury shares		(20)	(9)	(85)
Other		6	39	360
Net cash provided by (used in) financing activities		(14,521)	(5,984)	(54,626)
Effect of exchange rate changes on cash and cash equivalents		(130)	71	645
Net increase (decrease) in cash and cash equivalents		(2,548)	5,226	47,706
Cash and cash equivalents at beginning of period	8	12,537	9,989	91,181
Cash and cash equivalents at end of period	8	9,989	15,215	138,887

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

Sapporo Holdings Limited (the “Company”) is a corporation domiciled in Japan. The location of its registered head office and principal place of business is Shibuya-ku, Tokyo. The consolidated financial statements, for which the reporting date is December 31, 2019, comprise the financial statements of the Company and its subsidiaries (collectively, the “Group”) and its interests in associates. The nature of the Group’s businesses and the Group’s principal activities are disclosed below in “6. Operating Segments.”

2. Basis of Preparation

(1) Compliance with IFRS

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company meets the requirements to qualify as a “Specified Company Complying with Designated International Accounting Standards” in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements and therefore applies the provisions of Article 93 of said regulation.

(2) Approval of financial statements

The Group’s consolidated financial statements presented herein were approved by the Company’s Board of Directors on March 27, 2020.

(3) Measurement basis

The Group’s consolidated financial statements were prepared on a historical cost basis with certain exceptions, most notably financial instruments as disclosed in “3. Significant Accounting Policies.”

(4) Presentation currency

The Group’s consolidated financial statements are presented in Japanese yen, the Company’s functional currency, with monetary values rounded to the nearest million yen. For the convenience of the reader, the accompanying consolidated financial statements as of and for the fiscal year ended December 31, 2019 have been translated from Japanese yen amounts into U.S. dollar amounts at the rate of ¥109.55=U.S. \$1.00, the exchange rate as of December 31, 2019.

3. Significant Accounting Policies

(1) Basis of consolidation

i) Subsidiaries

The Group consolidates entities as subsidiaries if it has control over the entity, meaning that it has the right to directly or indirectly determine the entity’s financing and management policies to obtain benefits from the entity’s operations.

In preparing its consolidated financial statements, the Group uses its group companies’ respective financial statements prepared as of the same reporting date in conformity with uniform accounting policies. When accounting policies applied by a subsidiary differ from the accounting policies applied by the Group, the subsidiary’s financial statements are adjusted as needed.

Consolidation of investees begins from the date that the Group obtains control of the investee and ceases when the Group loses control of the investee.

Intra-group transactions and any receivable and payable balances and unrealized profits or losses resulting therefrom are eliminated.

Non-controlling interests in consolidated subsidiaries’ net assets are identified separately from the Group’s ownership interest.

When the Group partially disposes of an interest in a consolidated subsidiary while retaining control of the subsidiary, it accounts for the disposal as an equity transaction. In such cases, any difference between the resultant adjustment to non-controlling interests and the fair value of the consideration received is directly recognized in equity as equity attributable to owners of parent.

When the Group loses control of a consolidated subsidiary, it remeasures the retained interest in the former consolidated subsidiary at its fair value at the date when control is lost. Any difference between said fair value and the retained interest’s carrying amount is recognized in profit or loss.

Non-controlling interests in consolidated subsidiaries are identified separately from the Group’s interests. Consolidated subsidiaries’ comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if such attribution results in the non-controlling interests having a deficit balance.

ii) Associates

Associates are entities over which the Group has significant influence, but not control, with respect to financing and operating policies.

The Group accounts for investments in associates using the equity method.

Under the equity method, investments in associates are recognized at cost at the acquisition date and adjusted thereafter for post-acquisition changes in the Group's share of the associate's net assets, with such adjustments recognized in the Consolidated Statement of Financial Position.

The Group's share of associates' profit or loss is reflected in the Consolidated Statement of Profit or Loss. In the event of a change recognized in an associate's other comprehensive income, the Group recognizes its share of the change in other comprehensive income.

The Group adjusts its consolidated financial statements to eliminate the Group's share in any unrealized gains or losses resulting from transactions between itself and associates.

Associates' financial statements are prepared for the same reporting period as the Group's consolidated financial statements and adjusted to harmonize the associates' accounting policies with the Group's accounting policies.

If the Group loses significant influence over an associate, its retained investment in the associate is remeasured and recognized at fair value. Any difference between the associate's carrying amount at the date when significant influence is lost and the sum of any retained investment's fair value and any proceeds from disposing of an interest in the associate is recognized in profit or loss.

(2) Business combinations

Business combinations are accounted for by applying the acquisition method.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurred, the business combination is accounted for using provisional amounts that are retrospectively adjusted during a measurement period not to exceed one year from the acquisition date.

Cost is measured as the aggregate of the consideration transferred for the acquiree, measured at fair value at the acquisition date, and the amount of any non-controlling interest in the acquiree.

For each business combination, non-controlling interests in acquirees are measured at either fair value or the equivalent of the non-controlling interest's proportionate share in the fair value of the acquiree's identifiable net assets.

Acquisition-related costs associated with business combinations are accounted for as expenses in the periods in which they were incurred.

When the Group acquires a business, it classifies or designates identifiable assets acquired and liabilities assumed on the basis of the contractual terms and economic and other pertinent conditions as of the acquisition date. As a general rule, identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values.

In business combinations achieved in stages, the Group remeasures its equity interest in the acquiree held before obtaining control of the acquiree at acquisition-date fair value and recognizes the resulting gain or loss in profit or loss or in other comprehensive income.

Goodwill is measured as the excess of the aggregate of the consideration transferred and any amount recognized as a non-controlling interest over the net amount of identifiable assets acquired and liabilities assumed.

If the aggregate of the consideration transferred and amount recognized as a non-controlling interest is less than the net amount of identifiable assets acquired and liabilities assumed, the resultant gain is recognized in profit.

After initial recognition, goodwill acquired in business combinations is not amortized. It is carried at its cost less any accumulated impairment losses.

(3) Foreign currency translation

i) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, the Company's functional currency. Companies within the Group determine their own respective functional currencies and measure their transactions in their functional currency.

ii) Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currency at the applicable spot exchange rate at the transaction date or a rate approximating said spot rate.

Foreign currency monetary assets and liabilities are translated into the functional currency using the applicable spot exchange rate at the end of the reporting period. Any exchange differences arising from said translation or on the settlement of monetary assets/liabilities 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.

iii) Translation of foreign operations

Foreign operations' assets and liabilities are translated into Japanese yen at the spot exchange rates at the end of the reporting period. Their income and expenses are translated into Japanese yen at the applicable spot exchange rate at the transaction date or a rate approximating said spot rate. Any exchange differences arising from said translation are recognized in other comprehensive income.

On the disposal of a foreign operation, accumulated exchange differences relating to that foreign operation are recognized in profit or loss in the period in which the disposal occurred.

(4) Financial instruments

i) Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets as financial assets measured at fair value through profit or loss or at fair value through other comprehensive income or as financial assets measured at amortized cost. It determines financial assets' classification at initial recognition.

The Group recognizes a financial asset at the transaction date on which the Group became a party to the contractual provisions of the financial asset.

Financial assets are classified as measured at amortized cost if they meet both of the following conditions. Otherwise they are classified as measured at fair value.

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

Debt instrument financial assets are classified as measured at fair value through other comprehensive income if they meet both of the following conditions. If not, they are classified as measured at fair value through profit or loss.

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The financial asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Among financial assets measured at fair value, the Group designates equity instruments as measured at fair value through profit or loss or measured at fair value through other comprehensive income on an instrument-by-instrument basis and applies the designation on an ongoing basis.

All financial assets except those classified as measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to their acquisition.

(ii) Subsequent measurement

After initial recognition, financial assets are measured as follows in accordance with their classification.

(a) Financial assets measured at amortized cost

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

(b) Other financial assets

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

Changes in the fair value of financial assets measured at fair value are recognized in profit or loss or in other comprehensive income.

For equity instruments designated as measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income and, when they are derecognized or have decreased significantly in fair value, reclassified to retained earnings. Dividends from equity instruments are recognized in profit or loss for the period.

(iii) Derecognition

Financial assets are derecognized when the rights to the benefits therefrom have expired or been transferred or when substantially all the risks and rewards of ownership have been transferred.

(iv) Impairment

For financial assets measured at amortized cost, the Group recognizes an allowance for doubtful accounts for expected credit losses.

At the end of each reporting period, the Group assesses whether the credit risk on its financial assets has increased significantly since initial recognition. If credit risk has not increased significantly, the Group recognizes an allowance

for doubtful accounts at an amount equal to the 12-month expected credit losses. If credit risk has increased significantly since initial recognition, the Group recognizes an allowance for doubtful accounts at an amount equal to the lifetime expected credit losses.

For trade receivables, contract assets and lease receivables, the Group always recognizes an allowance for doubtful accounts at an amount equal to the lifetime expected credit losses.

If an impairment loss previously recognized for a financial asset is reduced by an event subsequent to the impairment loss's recognition, the Group reverses the previously recognized impairment loss and recognizes the reversal in profit or loss.

ii) Compound financial instruments

The liability component of a compound financial instrument is measured at initial recognition at the fair value of a similar liability without an equity conversion option. The equity component is measured at initial recognition at the residual amount after deducting the liability component's fair value from the fair value of the financial instrument as a whole. Direct transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of compound financial instruments is not remeasured after initial recognition.

Interest relating to the liability component of a compound financial instrument is recognized in profit and loss as a finance cost. On conversion of a convertible instrument, the liability component is reclassified to equity, and no gain or loss is recognized.

iii) Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost. It determines financial liabilities' classification at initial recognition.

All financial liabilities are initially measured at fair value, but financial liabilities measured at amortized cost are measured at fair value less directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured as follows in accordance with their classification.

(a) 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, interest expense and changes in fair value are recognized in other comprehensive income on the Consolidated Statement of Comprehensive Income to the extent that they are attributable to changes in the Group's credit risk. Any remaining interest expense and/or changes in fair value are recognized in profit or loss.

(b) Financial liabilities measured at amortized cost

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss on the Consolidated Statement of Profit or Loss.

(iii) Derecognition

Financial liabilities are derecognized when the obligation has been discharged or cancelled or has expired.

iv) Offsetting of financial instruments

The Group offsets financial assets and financial liabilities and presents the net amount in its Consolidated Statement of Financial Position only when it currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

v) Derivatives and hedge accounting

The Group uses derivatives such as currency forwards and interest rate swaps to respectively hedge currency risk and interest rate risk. These derivatives are initially measured at fair value at their contract inception date and subsequently remeasured at fair value.

Changes in derivatives' fair value are recognized in profit or loss on the Consolidated Statement of Profit or Loss, except that the effective portion of cash flow hedges is recognized in other comprehensive income on the Consolidated Statement of Comprehensive Income.

At the inception of a hedge, the Group formally designates and documents the hedging relationship to which it plans to apply hedge accounting and its risk management objective and strategy for undertaking the hedge. Said documentation includes the specific hedging instrument, the hedged item or transaction, and the nature of the risk being hedged and the method of assessing effectiveness of changes in the fair value of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Group assesses on an ongoing basis whether its hedges are expected to be highly effective in offsetting changes in the hedged item's fair value or cash flows and whether they have actually been highly effective throughout the financial reporting periods for

which the hedge was designated.

Hedges that meet stringent hedge accounting requirements are classified and accounted for as follows in accordance with IFRS 9 Financial Instruments ("IFRS 9").

(a) Fair value hedges

Changes in derivatives' fair value are recognized in profit or loss on the Consolidated Statement of Profit or Loss. Changes in hedged items' fair value that are attributable to the hedged risk are recognized in profit or loss on the Consolidated Statement of Profit or Loss and the hedged item's carrying amount is adjusted accordingly.

(b) Cash flow hedges

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income on the Consolidated Statement of Comprehensive Income; the ineffective portion is immediately recognized in profit or loss on the Consolidated Statement of Profit or Loss.

The amounts recognized in other comprehensive income in relation to hedging instruments are reclassified to profit or loss when the hedged transaction affects profit or loss. When a hedged transaction results in the recognition of a non-financial asset or non-financial liability, the amount recognized in other comprehensive income is treated as an adjustment to the asset or liability's initial carrying amount.

When a forecast transaction or firm commitment is no longer expected to occur or be fulfilled, the cumulative gain or loss previously recognized in equity through other comprehensive income is reclassified to profit or loss. When a hedging instrument expires or is sold, or is terminated or exercised without being replaced with or rolled over into another hedging instrument, or when a hedge designation is revoked, any amounts previously recognized in equity through other comprehensive income remain in equity until the forecast transaction occurs or the firm commitment is fulfilled.

vi) Financial instruments' fair value

When measuring the fair value of financial instruments traded in an active market as of the reporting date, the Group references publicly quoted market prices and dealer prices.

For financial instruments without an active market, the Group measures the fair value using appropriate valuation techniques.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments maturing within three months of their acquisition date that are readily convertible to cash and subject to an insignificant risk of changes in value.

(6) Inventories

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost and net realizable value. In measuring cost, the Group mainly uses the gross average method. 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.

(7) Property, plant and equipment

The Group has adopted the cost model to measure property, plant and equipment.

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes any costs directly related to the asset's acquisition, estimated costs of dismantling and removing the asset and restoring the site on which it is located and any borrowing costs eligible for capitalization.

All property, plant and equipment except land are depreciated on a straight-line basis to systematically allocate their depreciable amount, calculated as cost less residual value as of the reporting date.

Expected useful lives of major classes of property, plant and equipment are as follows.

Buildings and structures	2-65 years
Machinery and vehicles	2-17 years
Tools, furniture and fixtures	2-20 years

Assets' residual values, expected useful lives and depreciation methods are reviewed at each fiscal year-end. Any changes therein are accounted for as a change in an accounting estimate.

(8) Goodwill and intangible assets

i) Goodwill

Goodwill is measured at initial recognition as disclosed above under “(2) Business combinations.”

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. It is not amortized.

Goodwill is derecognized when an operation within the cash-generating unit (or group thereof) to which the goodwill has been allocated is disposed of. When the gain or loss on such a disposal is determined, the goodwill associated with the operation disposed of is included in the carrying amount of the operation.

ii) Intangible assets

The Group has adopted the cost model to measure intangible assets. Intangible assets are carried at their cost less any accumulated amortization and any accumulated impairment losses.

Separately acquired intangible assets are measured at cost at initial recognition. The cost of intangible assets acquired in a business combination is measured at the asset’s fair value at the acquisition date. All expenditures on internally generated intangible assets except development costs that meet capitalization criteria are recognized as an expense in the period in which they are incurred.

Intangible assets with finite useful lives are amortized using the straight-line method over their respective useful lives and tested for impairment whenever there is an indication that they may be impaired.

Expected useful lives of and amortization methods for intangible assets with finite useful lives are reviewed at each fiscal year-end. Any changes therein are applied prospectively as a change in an accounting estimate.

Expected useful lives of major classes of intangible assets are as follows.

Software	2-5 years
Customer relationships	2-22 years
Other	2-31 years

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized. They are tested for impairment either separately or as part of a cash-generating unit annually and whenever there is an indication that they may be impaired.

(9) Leases

(Lessee)

Lease liabilities are measured at the present value of total lease payments that are not paid at the lease commencement date. Right-of-use assets are initially measured at the amount of the initial measurement of the corresponding lease liability, adjusted mainly by any initial direct costs and any prepaid lease payments, plus costs including restoration obligations under the lease agreement. Right-of-use assets are systematically depreciated over the lease term.

Lease payments are allocated between finance costs and the principal portion of the lease liability’s remaining balance in a manner that equates the finance costs to a constant periodic rate of interest on the lease liability’s remaining balance. Finance costs are presented separately from depreciation charges on right-of-use assets on the Consolidated Statement of Profit or Loss.

The Group determines whether a contract is a lease or contains a lease based on the contract’s substance irrespective of whether the contract is in the legal form of a lease.

For leases with an initial term of 12 months or less and leases for which the underlying asset is of low value, associated lease payments are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

(Lessor)

Leases whereby the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. In operating leases, the lease’s underlying asset is carried on the Consolidated Statement of Financial Position and lease payments are recognized as income on a straight-line basis over the lease term on the Consolidated Statement of Profit or Loss.

(10) Investment property

For measuring investment property, the Group has adopted the same cost model it uses to measure property, plant and equipment.

Investment property is initially recognized at its cost inclusive of transaction costs. The cost of an investment property includes directly attributable costs, such as professional fees for legal services and property transfer taxes. Costs related to replacing part of an existing investment property are included in the property’s cost when incurred if they meet the asset recognition standard. Costs related to an investment property’s day-to-day servicing are recognized in profit or loss when incurred.

After initial recognition, investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Property is transferred to, or from, investment property only when there is a change in use.

Investment property is derecognized on disposal or when it is permanently withdrawn from use and no longer expected to yield any future economic benefits. In such cases, the difference between the net disposal proceeds and the asset's carrying amount is recognized in profit or loss in the period in which the asset was derecognized.

Investment property's useful life is mainly in the 2-65 year range.

Investment property's residual value, useful life and depreciation method are reviewed at each fiscal year-end. Any changes therein are accounted for as a change in an accounting estimate.

(11) Impairment of assets

i) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that any of its assets may be impaired. If any such indication exists and the asset in question is required to be tested for impairment annually, the Group estimates the asset's recoverable amount. When recoverable amount cannot be estimated for assets individually, the Group estimates the recoverable amount of each cash-generating unit to which the assets respectively belong. If a cash-generating unit's carrying amount exceeds its recoverable amount, the Group recognizes an impairment loss on the cash-generating unit's assets and reduces the assets' carrying amount to their recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of disposal.

Value in use is measured as the present value of estimated future cash flows, calculated using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset in question.

Fair value less costs of disposal is measured using an appropriate valuation model backed by available fair-value indicators.

Goodwill acquired in a business combination is allocated, from the acquisition date, to each cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the business combination.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that they may be impaired.

ii) Reversals of impairment losses

At each reporting date, the Group assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may have decreased or may no longer exist, in cases such as when an assumption used to determine the asset's recoverable amount has changed. If such an indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit in question. If the re-estimated recoverable amount exceeds the asset or cash-generating unit's carrying amount, the impairment loss is reversed up to the lower of the measured recoverable amount and the carrying amount (net of amortization or depreciation) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior fiscal years. Reversals of impairment losses are recognized in profit or loss.

Impairment losses recognized for goodwill are not reversed.

(12) Employee benefits

i) Retirement benefits

The Group operates defined benefit plans and defined contribution plans as employee retirement benefit plans.

The Group separately determines the present value of its defined benefit obligations and the related current service cost and past service cost on a plan-by-plan basis using the projected unit credit method.

The discount rate is determined by reference to yields at the end of the period on high quality corporate bonds.

Liabilities or assets related to defined benefit plans are determined as the present value of defined benefit obligations less the fair value of plan assets.

Remeasurements of assets (liabilities) related to defined benefit retirement benefit plans are immediately reflected in retained earnings after being fully recognized in other comprehensive income in the period in which they occur. Past service costs are expensed in the period incurred.

Expenses related to defined contribution retirement benefit plans are recognized as expenses in the period in which the contributions occurred.

ii) Short-term employee benefits

Short-term employee benefits are recognized on an undiscounted basis as expenses when employees render the related services. Bonus payments are recognized as liabilities at the amount expected to be paid pursuant to the applicable

bonus plan when the Group has a present legal or constructive obligation to make such payments as a result of past labor provided by employees and the amount of the liability can be reliably estimated.

(13) Share-based payments

The Group has adopted an equity-settled share-based payment plan.

Equity-settled share-based payments are accounted for by measuring the services received, and the corresponding increase in equity, at fair value (of the equity instruments) at the grant date, expensing said fair value over the applicable vesting period and recognizing an equal amount as an increase in equity.

(14) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. In measuring present value, the Group uses a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(15) Contingencies

When the Group has a potential liability at the end of a reporting period but the potential liability does not constitute a measurable obligation at the reporting date or does not meet the recognition criteria for provisions, the potential liability is disclosed in a note as a contingent liability.

Prospective inflows of economic benefits are disclosed in a note when their realization is probable but uncertain at the reporting date.

(16) Revenue

With the exception of rental income accounted for in accordance with IFRS 16 and certain other income, revenue is recognized in accordance with the following five-step approach at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to the customer.

Step 1: Identify the contract with a customer.

Step 2: Identify performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to each performance obligation in the contract.

Step 5: Recognize revenue when (or as) a performance obligation is satisfied.

Based on the identification of performance obligations in contracts with customers in accordance with the above five-step approach, the portion of sales promotion and other expenses that is consideration paid to customers by the Group is deducted from revenue.

Additionally, alcohol taxes are deducted from revenue from transactions in regions in which the Group is involved in alcoholic beverage sales as an agent. Inflows of economic benefits after alcohol taxes are presented as revenue on the Consolidated Statement of Profit or Loss.

(17) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Group will comply with the attached conditions, and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants related to assets are recognized as deferred income that is recognized in profit or loss on a systematic basis over the related asset's useful life.

(18) Income taxes

Current taxes for current and prior periods are measured at the amount expected to be paid to (or recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are accounted for using an asset and liability approach to differences between assets and liabilities'

carrying amount for accounting purposes and their tax base (temporary differences) at the end of the reporting period.

As a general rule, deferred tax liabilities are recognized for all taxable temporary differences while deferred tax assets are recognized for deductible temporary differences, unused tax credit carryforwards, and tax loss carryforwards to the extent that it is probable that taxable income will be available against which the deferred tax assets can be recovered.

In certain exceptional cases, however, no deferred tax asset or deferred tax liability is recognized for temporary differences.

Deferred tax assets' carrying amounts (including unrecognized deferred tax assets) are reassessed at the end of each reporting period. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting date.

(19) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares outstanding (ordinary shares issued less treasury shares) during the period. Diluted earnings per share is calculated by adjusting for the effects of all dilutive potential ordinary shares.

(20) Non-current assets held for sale and discontinued operations

i) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The requirements for said classification are met only when the Group's management is committed to a plan to sell the asset (or disposal group), its sale is highly probable within one year and the asset (or disposal group) is available for immediate sale in its present condition. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

ii) Discontinued operations

The Group recognizes any component of a company that either has been disposed of or is classified as held for sale, which falls under any of the following, as a discontinued operation.

- A separate major line of business or geographical area of operations
- Part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
- A subsidiary acquired exclusively with a view to resale

The post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the disposal of the disposal group(s) constituting the discontinued operation are presented separately from continuing operations as profit from discontinued operations in the Consolidated Statement of Profit or Loss. The disclosures for prior periods have also been re-presented accordingly.

(21) Equity

i) Ordinary shares

Ordinary shares are carried at their issue price in share capital and capital surplus.

ii) Treasury shares

When the Group acquires treasury shares, the consideration paid for the shares is recognized as a deduction from equity.

When the Group sells treasury shares, any difference between their carrying amount and the consideration received from their sale is recognized in capital surplus.

(22) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the asset's cost. All other borrowing costs are recognized as an expense in the period incurred.

4. Significant Accounting Estimates and Judgments Involving Estimations

In preparing consolidated financial statements in conformity with IFRS, management is required to make judgments, estimates and assumptions that affect accounting policies' application and the reported amounts of assets, liabilities, revenue and

expenses. Actual results may differ from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis and revised as warranted. Accounting estimate revisions' effects are recognized in the accounting period in which the revision occurred and accounting periods subsequent thereto.

Management judgments and estimates that have a significant effect on amounts reported in the consolidated financial statements are as follows.

(1) Inventory valuation (Significant accounting policy, (6) Inventories)

Inventories are measured at cost, but if their net realizable value at the end of a reporting period has fallen below their cost, inventories are measured at their net realizable value and the difference between their cost and net realizable value is recognized in cost of sales as a general rule. Additionally, inventory held for longer than the normal operating cycle is generally measured at net realizable value that reflects future demand and market trends. If inventories' net realizable value decreases significantly as a result of the market environment deteriorating more than expected, the Group may incur losses.

(2) Impairment of non-financial assets (Significant accounting policy, (11) Impairment of assets)

The Group tests property, plant and equipment and intangible assets, including goodwill, for impairment. In measuring assets' recoverable amount for impairment testing, the Group make certain assumptions regarding variables such as assets' useful lives, future cash flows, pre-tax discount rates and long-term growth rates. These assumptions are determined based on management's best estimates and judgment, but the variables to which they pertain may be affected by the results of uncertain future changes in economic conditions. If the assumptions need to be revised, amounts recognized in the Group's consolidated financial statements, etc. for the next fiscal year and beyond may be significantly affected.

(3) Measurement of defined benefit obligation (Significant accounting policy, (12) Employee benefits)

The Group has various post-employment benefit plans, including defined benefit plans. These plans' respective defined benefit obligation's present value, relevant service costs and other accounting inputs are estimated based on actuarial assumptions. The actuarial assumptions require estimates and judgments regarding a variety of variables, including discount rates, retirement rates and mortality rates. The Group obtains advice from external pension actuaries on the appropriateness of its actuarial assumptions that include the foregoing variables.

The actuarial assumptions are determined based on management's best estimates and judgment, but the variables to which they pertain may be affected by the results of uncertain future changes in economic conditions and/or amendment or promulgation of related laws. If the actuarial assumptions need to be revised, the amounts recognized in the Group's consolidated financial statements for the next fiscal year and beyond may be significantly affected.

(4) Recoverability of deferred tax assets (Significant accounting policy, (18) Income taxes)

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. In assessing the probability of taxable profits being available when recognizing a deferred tax asset, the Group reasonably estimates amounts and timing of the future taxable profits it is capable of earning and measures the deferred tax asset's amount accordingly.

Taxable profits' timing and amounts may be affected by uncertain future changes in economic conditions. If taxable profits' timing and/or amount differs from previous estimates thereof, the amounts recognized in the Group's consolidated financial statements for the next fiscal year and beyond may be significantly affected.

(5) Financial instruments' fair value (Significant accounting policy, (4) Financial instruments)

When measuring certain financial instruments' fair value, the Group uses valuation techniques that utilize inputs that are unobservable in markets. Such unobservable inputs may be affected by the results of uncertain future changes in economic conditions. If they are revised, the Group's consolidated financial statements may be significantly affected.

(6) Contingencies (Significant accounting policy, (15) Contingencies)

The Group discloses contingencies that could significantly affect its future operations, taking into account all evidence available at the reporting date and contingencies' probability of occurrence and monetary impact.

5. New Standards and Interpretations Not Yet Applied

The standards and interpretations newly established or revised by the date the consolidated financial statements were authorized for issuance would not significantly affect the consolidated financial statements.

6. Operating Segments

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about resources to be allocated to the segments and assess their performance.

Each operating company, under the Company, a pure holding company, proposes business development and strategies for products, services and sales markets in which it is involved and conducts business activities.

The Group's reportable segments have been organized on the basis of the differences in products, services, and sales markets in which each of operating companies and their subsidiaries and associates is involved, and its reportable segments are composed of three businesses: "Alcoholic Beverages Business," "Food & Soft Drinks Business," and "Real Estate Business."

The "Alcoholic Beverages Business" segment manufactures and sells alcoholic beverages and operates various styles of restaurants.

The "Food & Soft Drinks Business" segment manufactures and sells food and soft drinks.

The "Real Estate Business" segment's activities include leasing of real estate.

(Changes to reportable segments)

Under the new management structure launched in January 2017, the Group set forth, in the First Medium-Term Management Plan of the Long-Term Management Vision "SPEED150" announced in November 2016, that the Group will "strengthen its platform functions" through "the strategic shift of resources, and business structural reforms and the promotion of segment management," which will spur the Group's growth.

To secure reliable growth while continuing to nurture and strengthen Group brands, the Group has restructured its business organization to promote the growth of international business along specific business lines for the purpose of further strengthening management oversight of each business, and in the fiscal year ended December 31, 2019, the five previous reportable segments of "Japanese Alcoholic Beverages Business," "International Business," "Food & Soft Drinks Business," "Restaurants Business," and "Real Estate Business" have been changed into the three new reportable segments of "Alcoholic Beverages Business," "Food & Soft Drinks Business," and "Real Estate Business."

In conjunction with these changes, the former "International Business" segment has been split and incorporated into the "Alcoholic Beverages Business" and the "Food & Soft Drinks Business" segments. In addition, the former "Restaurants Business" segment has been incorporated into the "Alcoholic Beverages Business" segment, and the food business which was part of the former "Other Business" segment has been incorporated into the "Food & Soft Drinks Business" segment.

Segment information for the fiscal year ended December 31, 2018 has been prepared on the new basis of segmentation following the changes.

During the fiscal year ended December 31, 2019, the Group transferred all the shares in Country Pure Foods, Inc. (the holding company managing the North American soft drinks business, which falls under the "Food & Soft Drinks Business" segment) held by the Company to BPCP CPF Holdings Inc. Accordingly, the profit or loss of the North American soft drinks business is not included in the segment information because the North American soft drinks business has been classified as a discontinued operation.

(2) Segment revenue and performance

The Company's revenue, operating profit (loss) and selected other items are presented below by reportable segment. The Company monitors segment performance based on operating profit.

For the fiscal year ended December 31, 2018

(Millions of yen)

	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other	Total	Adjustment	Consolidated
Revenue							
Revenue from external customers	330,009	133,384	24,483	6,033	493,908	–	493,908
Intersegment revenue	408	275	2,824	21,585	25,093	(25,093)	–
Total	330,417	133,659	27,307	27,618	519,001	(25,093)	493,908
Operating profit (loss)	3,856	1,910	12,047	177	17,990	(6,401)	11,588
Other items							
Depreciation and amortization	13,470	6,677	5,177	41	25,364	1,514	26,879
Impairment losses	5,112	450	–	–	5,562	(132)	5,430
Share of profit of investments accounted for using equity method	19	–	0	–	19	–	19

For the fiscal year ended December 31, 2019

(Millions of yen)

	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other	Total	Adjustment	Consolidated
Revenue							
Revenue from external customers	324,438	136,876	24,690	5,892	491,896	–	491,896
Intersegment revenue	579	295	2,704	22,203	25,780	(25,780)	–
Total	325,017	137,171	27,393	28,095	517,676	(25,780)	491,896
Operating profit (loss)	7,877	(1,151)	12,714	(169)	19,272	(7,065)	12,208
Other items							
Depreciation and amortization	12,983	6,839	5,200	36	25,057	1,752	26,809
Impairment losses	669	648	–	–	1,317	25	1,342
Share of profit of investments accounted for using equity method	17	–	0	–	18	–	18

For the fiscal year ended December 31, 2019

(Thousands of U.S. dollars)

	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other	Total	Adjustment	Consolidated
Revenue							
Revenue from external customers	2,961,553	1,249,435	225,373	53,787	4,490,148	–	4,490,148
Intersegment revenue	5,283	2,694	24,678	202,672	235,327	(235,327)	–
Total	2,966,835	1,252,129	250,052	256,459	4,725,474	(235,327)	4,490,148
Operating profit (loss)	71,907	(10,502)	116,060	(1,541)	175,923	(64,490)	111,434
Other items							
Depreciation and amortization	118,513	62,424	47,464	324	228,725	15,994	244,720
Impairment losses	6,108	5,914	–	–	12,023	230	12,253
Share of profit of investments accounted for using equity method	158	–	4	–	161	–	161

“Other” is an operating segment not included in reportable segments and includes a logistics business. Adjustments include corporate costs not allocated to any reportable segment and intersegment eliminations. Corporate costs consist of general and administrative expenses not attributable to reportable segments.

(3) Information about geographical areas

A geographical breakdown of revenue from external customers and non-current assets is presented below.

Revenue from external customers

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Japan	419,662	420,664	3,839,923
North America	50,175	48,260	440,527
Other	24,071	22,972	209,698
Total	493,908	491,896	4,490,148

(Note) Revenue is disaggregated based on the location of sales destination.

Non-current assets

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Japan	432,210 (72,244)	447,380 (80,965)	4,083,797 (739,065)
North America	44,782 (2,725)	28,945 (23)	264,215 (211)
Other	9,157 (758)	6,632 (291)	60,539 (2,658)
Total	486,148 (75,728)	482,957 (81,279)	4,408,551 (741,934)

(Note) The amounts in parentheses are the financial instruments, deferred tax assets, etc. of the geographical area included in the non-current assets, as of December 31, 2018, and December 31, 2019.

(4) Information about major customers

Customers accounting for 10% or more of the revenue reported on the Consolidated Statement of Profit or Loss are listed below.

Name	Related Segment	(Millions of yen)		(Thousands of U.S. dollars)
		For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2019
KOKUBU GROUP CORP.	Alcoholic Beverages, Food & Soft Drinks	61,682	60,329	550,695

7. Business Combinations

During the fiscal year ended December 31, 2018

The Group acquired trust beneficiary rights in investment and rental property. Details are disclosed under “15. Investment Property, (1) Changes in investment property.”

During the fiscal year ended December 31, 2019

There was no significant business combination to be reported.

8. Cash and Cash Equivalents

A breakdown of cash and cash equivalents is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Cash and deposits	10,971	15,331	139,947
Time deposits maturing over three months	(982)	(116)	(1,060)
Total	9,989	15,215	138,887

Cash outflow for leases is presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Total cash outflow for leases	14,298	14,733	134,484

9. Trade and Other Receivables

A breakdown of trade and other receivables is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Notes and accounts receivable - trade	93,460	92,646	845,695
Allowance for doubtful accounts	(120)	(117)	(1,067)
Total	93,340	92,529	844,628

Trade and other receivables are classified as financial assets measured at amortized cost.

They are presented net of allowance for doubtful accounts on the Consolidated Statement of Financial Position.

10. Other Financial Assets

(1) Breakdown of other financial assets

A breakdown of other financial assets is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Stocks	59,483	69,264	632,258
Bonds	5,000	5,000	45,641
Derivative assets	217	12	112
Accounts receivable - other	3,821	4,435	40,482
Loans receivable	555	312	2,852
Guarantee deposits	5,985	5,961	54,417
Other	1,193	242	2,209
Allowance for doubtful accounts	(1,260)	(1,095)	(9,999)
Total	74,995	84,131	767,971

Current assets	4,790	5,403	49,319
Non-current assets	70,205	78,728	718,652
Total	74,995	84,131	767,971

Other financial assets are presented net of allowance for doubtful accounts on the Consolidated Statement of Financial Position.

Stocks and bonds are classified as financial assets measured at fair value through other comprehensive income, derivative assets (excluding those subject to hedge accounting) as financial assets measured at fair value through profit or loss, and accounts receivable - other, loans receivable and guarantee deposits as financial assets measured at amortized cost.

(2) Financial assets measured at fair value through other comprehensive income

The Group's main holdings classified as financial assets measured at fair value through other comprehensive income and their fair values are presented below.

As of December 31, 2018

Issuer	(Millions of yen)	
	Amount	
FUJIO FOOD SYSTEM Co., Ltd.	5,582	
Resorttrust, Inc.	5,400	
Imperial Hotel, Ltd.	4,678	
SHIBUYA CORPORATION	2,471	
TAISEI CORPORATION	1,882	
Marubeni Corporation	1,803	
Dai Nippon Printing Co., Ltd.	1,587	
Central Japan Railway Company	1,529	
Rengo Co., Ltd.	1,389	
Keikyu Corporation	1,356	

As of December 31, 2019

Issuer	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
FUJIO FOOD SYSTEM Co., Ltd.	10,823	98,795
Resorttrust, Inc.	6,218	56,755
Imperial Hotel, Ltd.	4,948	45,164
SHIBUYA CORPORATION	2,146	19,585
Dai Nippon Printing Co., Ltd.	2,045	18,668
Marubeni Corporation	1,892	17,270
TAISEI CORPORATION	1,818	16,595
DAISYO CORPORATION	1,679	15,326
Keikyu Corporation	1,592	14,532
Central Japan Railway Company	1,452	13,254

The Group holds stocks mainly to maintain or strengthen commercial, collaborative and/or financial relationships and therefore designates them as financial assets measured at fair value through other comprehensive income.

(3) Derecognition of financial assets measured at fair value through other comprehensive income

Certain financial assets measured at fair value through other comprehensive income were sold (derecognized), mainly as a result of business strategy revisions. Their fair value at the date of the sale and the cumulative gains or losses associated with their sale are presented below.

Cumulative gains or losses (net of tax) that had been recognized in equity through other comprehensive income were reclassified to retained earnings upon the assets' sale.

	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
For the fiscal year ended			
Fair value	1,452	1,053	9,612
Cumulative gains (losses)	822	435	3,970

Recognized dividend income from financial assets measured at fair value through other comprehensive income is presented below.

	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
For the fiscal year ended			
Derecognized financial assets	9	82	748
Financial assets held at fiscal year-end	968	963	8,793

11. Inventories

A breakdown of inventories is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Merchandise and finished goods	22,876	23,426	213,839
Raw materials and supplies	14,233	13,102	119,596
Total	37,109	36,528	333,435

The amount of inventories recognized in cost of sales in the fiscal years ended December 31, 2018, and December 31, 2019, was 340,196 million yen and 314,366 million yen (2,869,610 thousand U.S. dollars), respectively.

The amount of inventory valuation losses recognized as an expense in the fiscal years ended December 31, 2018, and December 31, 2019, was 1,069 million yen and 1,282 million yen (11,705 thousand U.S. dollars), respectively.

12. Other Assets

A breakdown of other current assets and other non-current assets is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Prepaid expenses	4,942	4,283	39,094
Income taxes receivable	2,236	88	806
Long-term prepaid expenses	4,530	3,425	31,267
Other investments	3,010	3,035	27,707
Other	2,125	2,704	24,680
Total	16,842	13,535	123,555

Current assets	8,316	6,090	55,594
Non-current assets	8,526	7,445	67,961
Total	16,842	13,535	123,555

13. Property, Plant and Equipment

(1) Changes in property, plant and equipment

Changes in the carrying amount, cost and accumulated depreciation and impairment losses of property, plant and equipment are presented below.

(Millions of yen)

Carrying amount	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
As of January 1, 2018	54,326	29,920	2,742	25,340	34,849	4,158	151,334
Acquisitions	948	1,338	204	8,557	—	15,142	26,189
Transfer from construction in progress	3,650	7,521	850	—	26	(12,047)	—
Depreciation	(3,922)	(5,730)	(871)	(6,490)	—	—	(17,013)
Impairment losses	(332)	(72)	(40)	(486)	(117)	—	(1,047)
Sales and disposals	(844)	(522)	(22)	(189)	(693)	—	(2,270)
Exchange differences on translation of foreign operations	(439)	(1,382)	(42)	(360)	(99)	(47)	(2,369)
Other changes	(40)	(15)	(36)	(1,119)	(210)	(728)	(2,147)
As of December 31, 2018	53,348	31,058	2,785	25,254	33,755	6,477	152,676
Acquisitions	542	320	188	6,149	—	14,684	21,883
Acquisitions through business combinations	910	446	78	296	1,159	—	2,889
Transfer from construction in progress	5,793	9,620	826	—	—	(16,240)	—
Depreciation	(4,130)	(5,731)	(936)	(6,713)	—	—	(17,511)
Impairment losses	(364)	(479)	(91)	(334)	(70)	—	(1,337)
Sales and disposals	(281)	(86)	(15)	(64)	(64)	(1)	(511)
Exchange differences on translation of foreign operations	19	237	5	74	275	19	630
Change in scope of consolidation	(2,607)	(4,447)	(158)	(468)	(1,325)	(97)	(9,102)
Other changes	(184)	54	16	(779)	—	(1,710)	(2,604)
As of December 31, 2019	53,046	30,992	2,699	23,416	33,730	3,131	147,014

(Thousands of U.S. dollars)

As of December 31, 2018	486,974	283,505	25,422	230,525	308,124	59,124	1,393,665
Acquisitions	4,943	2,921	1,720	56,133	—	134,035	199,752
Acquisitions through business combinations	8,310	4,067	710	2,706	10,581	—	26,375
Transfer from construction in progress	52,884	87,814	7,544	—	—	(148,242)	—
Depreciation	(37,703)	(52,316)	(8,545)	(61,279)	—	—	(159,843)
Impairment losses	(3,320)	(4,375)	(827)	(3,047)	(638)	—	(12,208)
Sales and disposals	(2,568)	(782)	(140)	(585)	(583)	(5)	(4,663)
Exchange differences on translation of foreign operations	177	2,164	49	679	2,511	170	5,750
Change in scope of consolidation	(23,797)	(40,591)	(1,445)	(4,269)	(12,095)	(885)	(83,082)
Other changes	(1,684)	490	148	(7,114)	—	(15,614)	(23,774)
As of December 31, 2019	484,213	282,902	24,635	213,744	307,900	28,583	1,341,977

(Millions of yen)

Cost	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
As of January 1, 2018	180,226	228,444	15,431	37,618	35,825	4,158	501,703
As of December 31, 2018	179,992	230,617	15,294	40,661	34,731	6,477	507,773
As of December 31, 2019	183,064	226,007	15,774	40,382	34,749	3,131	503,109

(Thousands of U.S. dollars)

Cost	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
As of December 31, 2019	1,671,058	2,063,051	143,987	368,620	317,202	28,583	4,592,501

(Millions of yen)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
As of January 1, 2018	125,900	198,525	12,690	12,278	976	–	350,369
As of December 31, 2018	126,644	199,559	12,510	15,407	976	–	355,097
As of December 31, 2019	130,019	195,015	13,075	16,967	1,019	–	356,095

(Thousands of U.S. dollars)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
As of December 31, 2019	1,186,846	1,780,149	119,352	154,876	9,302	–	3,250,524

Depreciation of property, plant and equipment is mainly included in “cost of sales,” “selling, general and administrative expenses” and “loss from discontinued operations” on the Consolidated Statement of Profit or Loss.

(2) Right-of-use assets

A breakdown of right-of-use assets is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Right-of-use assets for which buildings and structures are the underlying asset	16,266	15,871	144,878
Right-of-use assets for which machinery and vehicles are the underlying asset	2,971	2,137	19,504
Right-of-use assets for which tools, furniture and fixtures are the underlying asset	4,833	4,458	40,695
Right-of-use assets for which land is the underlying asset	1,183	949	8,666
Total right-of-use assets	25,254	23,416	213,744

(3) Borrowing costs

The amount of borrowing costs capitalized as part of the cost of a qualifying asset in the fiscal years ended December 31, 2018, and December 31, 2019, was 12 million yen and 12 million yen (110 thousand U.S. dollars), respectively. The capitalization rate applied in the fiscal years ended December 31, 2018, and December 31, 2019, was 0.6% and 0.6%, respectively.

14. Goodwill and Intangible Assets

(1) Changes in goodwill and intangible assets

Changes in carrying amount, cost and accumulated amortization and impairment losses of goodwill and intangible assets are presented below.

(Millions of yen)

Carrying amount	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of January 1, 2018	24,942	3,868	3,223	6,248	38,281
Acquisitions	—	2,116	—	130	2,245
Amortization	—	(1,609)	(281)	(375)	(2,265)
Impairment losses	(3,461)	(3)	—	(919)	(4,383)
Sales and disposals	—	(14)	—	(0)	(14)
Exchange differences on translation of foreign operations	(253)	(11)	(62)	(142)	(468)
Other changes	—	2	—	(113)	(112)
As of December 31, 2018	21,229	4,348	2,880	4,828	33,285
Acquisitions	—	2,436	—	78	2,514
Acquisitions through business combinations	1,003	14	—	194	1,211
Amortization	—	(1,801)	(263)	(311)	(2,375)
Impairment losses	—	(3)	—	—	(3)
Sales and disposals	—	(29)	—	(0)	(29)
Exchange differences on translation of foreign operations	(27)	1	(49)	(46)	(120)
Change in scope of consolidation	(3,847)	(3)	(2,568)	(875)	(7,293)
Other changes	—	(0)	—	14	13
As of December 31, 2019	18,358	4,963	—	3,881	27,202

(Thousands of U.S. dollars)

Carrying amount	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of December 31, 2018	193,784	39,690	26,289	44,071	303,834
Acquisitions	—	22,240	—	711	22,951
Acquisitions through business combinations	9,155	125	—	1,774	11,054
Amortization	—	(16,439)	(2,403)	(2,840)	(21,682)
Impairment losses	—	(31)	—	—	(31)
Sales and disposals	—	(263)	—	(4)	(267)
Exchange differences on translation of foreign operations	(242)	11	(446)	(419)	(1,096)
Change in scope of consolidation	(35,114)	(26)	(23,443)	(7,990)	(66,572)
Other changes	—	(4)	—	124	120
As of December 31, 2019	167,580	45,303	—	35,424	248,307

(Millions of yen)

Cost	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of January 1, 2018	24,942	23,593	4,047	13,137	65,719
As of December 31, 2018	24,690	24,001	3,971	12,283	64,944
As of December 31, 2019	21,819	25,569	—	11,558	58,330

(Thousands of U.S. dollars)

Cost	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of December 31, 2019	199,172	233,402	—	105,508	532,448

(Millions of yen)

Accumulated amortization and impairment losses	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of January 1, 2018	—	19,725	824	6,889	27,438
As of December 31, 2018	3,461	19,653	1,090	7,455	31,660
As of December 31, 2019	3,461	20,606	—	7,678	28,284

(Thousands of U.S. dollars)

Accumulated amortization and impairment losses	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of December 31, 2019	31,593	188,099	—	70,083	258,182

Internally generated intangible assets are mainly software. Their cost at December 31, 2018, and December 31, 2019, was 12,358 million yen and 12,459 million yen (113,732 thousand U.S. dollars), respectively and their accumulated amortization and impairment losses at December 31, 2018, and December 31, 2019, totaled 11,621 million yen and 11,929 million yen (108,889 thousand U.S. dollars), respectively.

Amortization is included in “cost of sales,” “selling, general and administrative expenses” and “loss from discontinued operations” on the Consolidated Statement of Profit or Loss.

Of the above intangible assets, there were no intangible assets with indefinite useful lives at December 31, 2019. The 785 million yen carried at December 31, 2018 as intangible assets with indefinite useful lives for trademarks acquired as a result of purchasing a North American soft drink company was not carried at December 31, 2019 due to the sale of said company. The Group deems the trademarks to be intangible assets with indefinite useful lives because they are basically perpetual as long as said business continues to exist.

(2) Significant intangible assets

Significant intangible assets carried on the Consolidated Statement of Financial Position are mainly trademarks recognized in conjunction with the 2017 acquisition of Anchor Brewing Company, LLC, and customer relationships recognized in conjunction with the 2015 acquisition of a North American soft drink company.

The carrying amount of the trademarks recognized in conjunction with Anchor Brewing Company’s acquisition was 2,736 million yen (24,979 thousand U.S. dollars) (December 31, 2018: 2,864 million yen). The trademarks are being amortized using the straight-line method; their remaining amortization period is 30 years. The 2,880 million yen of the customer relationships carried at December 31, 2018 as a result of the acquisition of the North American soft drink company was not carried at December 31, 2019 due to the sale of said company.

(3) Major intangible assets with indefinite useful lives and impairment test of such assets

During the fiscal year ended December 31, 2018

When tested for impairment, the North American soft drink company's trademarks recognized upon the Company's acquisition had a carrying amount of 776 million yen (January 1, 2017 (at the beginning of the fiscal year ended December 31, 2017): 816 million yen, December 31, 2017: 791 million yen).

Their recoverable amount was measured based on value in use for each cash-generating unit. Value in use was measured by discounting future cash flows at a 10.0% (December 31, 2017: 9.5%) discount rate. Said discount rate was determined in reference to the weighted-average cost of capital.

Future cash flows are based on a growth rate of 3.0% (December 31, 2017: 3.0%) and management-approved business plans prepared to reflect past experience and external information with planning horizons generally no longer than five years. Said growth rate was determined in light of conditions in the market(s) to which the cash-generating units are dedicated.

If the key assumptions used to test for impairment were to change, the change would pose a risk of impairment loss, but the Group concluded that value in use exceeds the tested cash-generating units' carrying amount and is unlikely to fall below their carrying amount even if said key assumptions change within a reasonably foreseeable range.

During the fiscal year ended December 31, 2019

Not applicable.

15. Investment Property

(1) Changes in investment property

Changes in carrying amount, cost and accumulated depreciation and impairment losses of investment property are presented below.

Carrying amount	(Millions of yen)		(Thousands of U.S. dollars)
	During the fiscal year ended December 31, 2018	During the fiscal year ended December 31, 2019	During the fiscal year ended December 31, 2019
Balance at beginning of period	219,658	215,522	1,967,342
Acquisitions	4,178	15,374	140,335
Acquisitions through business combination (Note)	2,520	—	—
Sales and disposals	(6,204)	(6,778)	(61,876)
Depreciation	(4,629)	(4,528)	(41,337)
Balance at end of period	215,522	219,589	2,004,464

(Note) "Acquisitions through business combination" refers to a November 30, 2018, acquisition of all trust beneficiary rights in investment and rental property in Shibuya-ku, Tokyo, the objective of which was to further increase revenue through property value appreciation, community development and property portfolio restructuring in the Ebisu District of Shibuya-ku. The transaction was accounted for as a business acquisition. The assets acquired in the transaction consist solely of investment property. No liabilities were assumed. The assets' acquisition-date fair value was 2,520 million yen. The consideration paid was 2,520 million yen in cash. Acquisition-related costs, and information on revenue and profit or loss of the acquiree from the acquisition date onward and revenue and profit or loss if the transaction had hypothetically occurred on January 1, 2018 (unaudited information), are omitted because the transaction's effects on the Consolidated Statement of Profit or Loss were insignificant.

Cost	(Millions of yen)		(Thousands of U.S. dollars)
	During the fiscal year ended December 31, 2018	During the fiscal year ended December 31, 2019	During the fiscal year ended December 31, 2019
Balance at beginning of period	367,154	366,480	3,345,322
Balance at end of period	366,480	374,458	3,418,150

	(Millions of yen)		(Thousands of U.S. dollars)
	During the fiscal year ended December 31, 2018	During the fiscal year ended December 31, 2019	During the fiscal year ended December 31, 2019
Accumulated depreciation and impairment loss			
Balance at beginning of period	147,497	150,958	1,377,980
Balance at end of period	150,958	154,869	1,413,685

(2) Fair value

Investment property's fair value is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Investment property	385,992	402,111	3,670,573

Fair value is measured mainly based on discounted cash flow valuations provided by external real estate appraisers or similar properties' market prices.

Investment property's fair values in the fiscal years ended December 31, 2018, and December 31, 2019, are recognized in Level 3 of the fair value hierarchy.

The fair value hierarchy is disclosed under "36. Financial Instruments, (8) Financial instruments' fair value."

(3) Income from and expenses arising from investment property

Rental income from investment property and direct operating expenses incurred in the generation thereof are presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Rental income	23,174	23,501	214,519
Direct operating expenses	12,957	13,098	119,566

The direct operating expenses do not include expenses arising from investment property that did not generate rental income.

16. Impairment Losses

(1) Breakdown of recognized impairment losses by main asset class and segment

For the fiscal year ended December 31, 2018

Segment	Cash-generating unit	Impairment losses (Millions of yen)	Class of assets
Alcoholic Beverages	Alcoholic Beverages (North America)	4,377	Goodwill and other

The carrying amount of the goodwill and a portion of the intangible assets recognized upon acquisition of equity in Anchor Brewing Company, LLC, was reduced to their recoverable amount because attainment of initial income projections is no longer probable as a result of weak overall demand on the U.S. West Coast, a key geographic market. The impairment losses consisted of a 3,461 million yen impairment loss on goodwill and a 916 million yen impairment loss on intangible assets.

The recoverable amount was measured at 6,544 million yen based on fair value less costs of disposal.

Fair value was measured by discounting future cash flows at 8.0%. It is in Level 3 of the fair value hierarchy.

For the fiscal year ended December 31, 2019

No significant impairment losses were incurred.

(2) Goodwill impairment test

Carrying amounts of goodwill allocated to cash-generating units (groups of cash-generating units) are presented below.

Cash-generating unit (group of cash-generating units)	(Millions of yen)		(Thousands of U.S. dollars)
	As of December 31, 2018	As of December 31, 2019	As of December 31, 2019
Alcoholic Beverages (North America)	6,728	7,494	68,407
Soft Drinks (North America)	3,913	—	—
Food & Soft Drinks (Japan & Asia)	10,208	10,208	93,183
Restaurants	380	656	5,991
Total	21,229	18,358	167,580

Goodwill was tested for impairment mainly as follows.

Alcoholic Beverages (North America)

Recoverable amounts were measured based on value in use.

Value in use was measured by discounting future cash flows at 9.0% (December 31, 2018: 9.0%). Said discount rate was determined in reference to the cash-generating unit's weighted average cost of capital.

Future cash flows are based on a growth rate of 2.5% (December 31, 2018: 2.5%) and management-approved business plans prepared to reflect past experience and external information with planning horizons generally no longer than five years. Said growth rate was determined in light of conditions in the market(s) to which the cash-generating unit is dedicated.

If the key assumptions used to test for impairment were to change, the change would pose a risk of impairment loss, but the Group concluded that value in use exceeds the cash-generating unit's carrying amount and is unlikely to fall below its carrying amount even if said key assumptions change within a reasonably foreseeable range.

Soft Drinks (North America)

For the fiscal year ended December 31, 2018

Recoverable amounts were measured based on value in use.

Value in use was measured by discounting future cash flows at 10.0%. Said discount rate was determined in reference to the cash-generating unit's weighted average cost of capital.

Future cash flows are based on a growth rate of 3.0% and management-approved business plans prepared to reflect past experience and external information with planning horizons generally no longer than five years. Said growth rate was determined in light of conditions in the market(s) to which the cash-generating units are dedicated.

For the fiscal year ended December 31, 2019

Not applicable.

Food & Soft Drinks (Japan & Asia)

Recoverable amounts were measured based on value in use.

Value in use was measured by discounting future cash flows at 5.2% (December 31, 2018: 5.8%). Said discount rate was determined in reference to the cash-generating unit's weighted average cost of capital.

Future cash flows are based on management-approved business plans prepared to reflect past experience and external information with planning horizons generally no longer than five years. The growth rate used for impairment testing is set at 0% (December 31, 2018: 0%).

In the fiscal year ended December 31, 2019, the recoverable amount exceeded the carrying amount by 1,739 million yen (15,876 thousand U.S. dollars). If the discount rate hypothetically increases by 0.2 percentage points, an impairment loss may be incurred.

17. Investments Accounted for Using Equity Method

Carrying amounts of investments in associates accounted for using the equity method are presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Carrying amount of investments in associates	410	428	3,908

The Group's share of profit and other comprehensive income of associates accounted for using the equity method is presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Group's share of profit of associates accounted for using equity method	19	18	161
Total	19	18	161

18. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities, and changes therein are presented below broken down by main source of the deferred tax assets/liabilities.

For the fiscal year ended December 31, 2018

	(Millions of yen)				
	January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	December 31, 2018
Deferred tax assets					
Fixed assets	5,156	(574)	—	28	4,610
Retirement benefit liability	3,071	645	1,646	—	5,362
Accrued expenses	2,283	(120)	—	120	2,283
Gift coupon gains or losses	1,244	(134)	—	—	1,110
Tax loss carryforwards	933	(83)	—	148	998
Provision for bonuses	792	(279)	—	—	513
Marketable securities	20	2,961	—	—	2,981
Other	1,903	(68)	—	166	2,001
Total	15,402	2,348	1,646	462	19,860
Deferred tax liabilities					
Fixed assets	18,385	(70)	—	(278)	18,037
Valuation differences	14,974	—	(4,082)	(19)	10,873
Reserve for advanced depreciation of fixed assets	6,652	(1,418)	—	—	5,234
Other	937	532	26	(354)	1,141
Total	40,948	(956)	(4,056)	(651)	35,286
Net deferred tax assets (liabilities)	(25,546)	3,304	5,702	1,113	(15,426)

(Note) "Other" mainly includes changes related to discontinued operations, deferred tax assets/liabilities recognized in

conjunction with acquisition of subsidiaries through business combinations and exchange differences on translation of foreign operations.

For the fiscal year ended December 31, 2019

(Millions of yen)

	January 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	December 31, 2019
Deferred tax assets					
Fixed assets	4,610	143	–	–	4,753
Retirement benefit liability	5,362	731	(2,028)	22	4,087
Accrued expenses	2,283	44	–	(218)	2,110
Gift coupon gains or losses	1,110	(103)	–	–	1,007
Tax loss carryforwards	998	138	–	(390)	747
Provision for bonuses	513	15	–	6	534
Marketable securities	2,981	471	–	–	3,452
Other	2,001	(1,041)	–	44	1,004
Total	19,860	399	(2,028)	(536)	17,693
Deferred tax liabilities					
Fixed assets	18,037	334	–	(1,102)	17,269
Valuation differences	10,873	–	2,951	18	13,841
Reserve for advanced depreciation of fixed assets	5,234	(1,771)	–	–	3,463
Other	1,141	(286)	13	(172)	695
Total	35,286	(1,724)	2,963	(1,257)	35,268
Net deferred tax assets (liabilities)	(15,426)	2,122	(4,991)	721	(17,575)

For the fiscal year ended December 31, 2019

(Thousands of U.S. dollars)

	January 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	December 31, 2019
Deferred tax assets					
Fixed assets	42,083	1,305	–	–	43,388
Retirement benefit liability	48,941	6,679	(18,509)	198	37,310
Accrued expenses	20,843	402	–	(1,987)	19,259
Gift coupon gains or losses	10,135	(941)	–	–	9,194
Tax loss carryforwards	9,111	1,262	–	(3,557)	6,816
Provision for bonuses	4,687	130	–	55	4,873
Marketable securities	27,212	4,297	–	–	31,509
Other	18,271	(9,508)	–	399	9,162
Total	181,283	3,627	(18,509)	(4,891)	161,510
Deferred tax liabilities					
Fixed assets	164,651	3,044	–	(10,061)	157,635
Valuation differences	99,253	–	26,933	161	126,347
Reserve for advanced depreciation of fixed assets	47,776	(16,169)	–	–	31,608
Other	10,417	(2,616)	117	(1,572)	6,346
Total	322,098	(15,740)	27,050	(11,472)	321,935
Net deferred tax assets (liabilities)	(140,815)	19,367	(45,558)	6,581	(160,425)

(Note) “Other” mainly includes changes related to discontinued operations, deferred tax assets/liabilities recognized in conjunction with acquisition of subsidiaries through business combinations and exchange differences on translation of foreign operations.

(2) Deductible temporary differences and tax loss carryforwards for which no deferred tax asset has been recognized

In recognizing deferred tax assets, the Group takes into account the probability that deductible temporary differences or tax loss carryforwards can be fully or partially utilized against future taxable profits. In assessing deferred tax assets’ recoverability, the Group takes into account scheduled reversals of deferred tax liabilities, projected future taxable profits and tax planning. The Group deems recognized deferred tax assets to have a high probability of being recovered based on past taxable profit levels and projections of future taxable profits over the periods in which the deferred tax assets are deductible.

Deductible temporary differences and tax loss carryforwards for which no deferred tax asset has been recognized are presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Deductible temporary differences	12,567	12,092	110,376
Tax loss carryforwards	3,810	4,804	43,848

The following table summarizes the amounts of tax loss carryforwards for which no deferred tax asset has been recognized and their expiry dates.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
1st year	187	507	4,628
2nd year	497	431	3,935
3rd year	493	385	3,514
4th year	724	808	7,372
After 5th year	1,909	2,673	24,399
Total	3,810	4,804	43,848

(3) Taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognized

With the exception of temporary differences arising from undistributed profits scheduled to be distributed as dividends as of the end of the reporting period, the Company does not recognize deferred tax liabilities related to taxable temporary differences associated with investments in subsidiaries when the Group is able to control the timing of the temporary differences' reversal and it is probable that the temporary differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities at December 31, 2018 and December 31, 2019, was 54,080 million yen and 49,532 million yen (452,143 thousand U.S. dollars), respectively.

(4) Income tax expense

A breakdown of income tax expense is presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Current income tax expense	5,326	6,382	58,252
Deferred income tax expense	(3,304)	(2,122)	(19,374)
Total	2,023	4,259	38,879

(5) Reconciliation between effective statutory tax rate and actual tax rate

The taxes to which the Group is subject are mainly corporation tax, inhabitants tax, and enterprise tax. Based on said taxes, its effective statutory tax rate in the fiscal years ended December 31, 2018, and December 31, 2019, was 30.9% and 30.6%, respectively. Overseas subsidiaries are subject to the corporate tax and other taxes in the tax jurisdictions in which they are respectively located.

Major causes of differences between the Group's effective statutory tax rate and actual tax rate are presented below.

For the fiscal year ended	December 31, 2018	December 31, 2019
Effective statutory tax rate	30.9%	30.6%
Effect of nontaxable income and nondeductible expenses in determining taxable profit	5.9%	5.9%
Unrecognized deferred tax assets	(28.3)%	14.0%
Tax credits	(3.7)%	(5.4)%
Effect of changes in tax rates	0.3%	(0.1)%
Impairment of goodwill	10.2%	—%
Overseas consolidated subsidiaries' tax rate differences	2.9%	0.5%
Income taxes for prior periods	(0.6)%	(3.2)%
Other	1.5%	(5.5)%
Actual tax rate	19.0%	36.8%

19. Bonds and Borrowings

(1) Breakdown of bonds and borrowings

A breakdown of bonds and borrowings is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Current portion of bonds payable	10,006	19,998	182,548
Bonds payable	59,826	59,809	545,956
Short-term borrowings	14,936	12,774	116,606
Commercial papers	28,500	22,000	200,822
Current portion of long-term borrowings	20,422	17,349	158,363
Long-term borrowings	94,657	95,411	870,933
Total	228,346	227,341	2,075,226

Current liabilities	73,863	72,121	658,338
Non-current liabilities	154,483	155,220	1,416,888
Total	228,346	227,341	2,075,226

Bonds and borrowings are classified as financial liabilities measured at amortized cost.

Short-term borrowings and long-term borrowings' average interest rates at December 31, 2018, were 1.16% and 0.63%, respectively.

Short-term borrowings and long-term borrowings' average interest rates at December 31, 2019, were 0.48% and 0.87%, respectively.

Long-term borrowings' maturity dates range from 2020 to 2035.

(2) Details of bond issues

Details of bond issues are presented below.

Company name	Issue	Date of issuance	Maturity date	Interest rate (%)	Collateral	(Millions of yen)		(Thousands of U.S. dollars)
						December 31, 2018	December 31, 2019	December 31, 2019
Sapporo Holdings Limited (the Company)	28th Series of Unsecured Straight Corporate Bonds	December 5, 2013	December 4, 2020	0.61	None	9,984	9,993 (9,993)	91,214 (91,214)
	29th Series of Unsecured Straight Corporate Bonds	September 12, 2014	September 12, 2019	0.31	None	9,992 (9,992)	—	—
	30th Series of Unsecured Straight Corporate Bonds	September 10, 2015	September 10, 2020	0.33	None	9,981	9,992 (9,992)	91,213 (91,213)
	31st Series of Unsecured Straight Corporate Bonds	March 22, 2016	March 22, 2021	0.25	None	9,975	9,986	91,159
	32nd Series of Unsecured Straight Corporate Bonds	June 1, 2017	June 1, 2022	0.15	None	9,963	9,974	91,041
	33rd Series of Unsecured Straight Corporate Bonds	September 5, 2019	September 4, 2026	0.20	None	—	9,946	90,786
	34th Series of Unsecured Straight Corporate Bonds	September 5, 2019	September 5, 2029	0.30	None	—	9,940	90,739
	Euro-yen Convertible Bonds with Share Acquisition Rights due 2021	April 27, 2018	April 27, 2021	—	None	19,875	19,929	181,916
MARU-SHINKA-WAMURA INC. (Note 2)	Subsidiary's straight corporate bonds	October 2, 2012 to March 14, 2016	September 25, 2017 to February 28, 2029	0.47 to 0.65	None	61 (13)	47 (13)	433 (120)
Total	—	—	—	—	—	69,832 (10,006)	79,808 (19,998)	728,504 (182,548)

(Notes) 1 Amounts in parentheses are bonds scheduled to mature within one year.

2 All outstanding bonds issued by subsidiary MARUSHINKAWAMURA INC. are aggregated together.

(3) Assets pledged as collateral

Assets pledged as collateral and secured liabilities are presented below.

Assets pledged as collateral

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Land	2,051	2,051	18,720
Investment securities	7,490	8,008	73,099
Other	1,250	886	8,089
Total	10,791	10,945	99,907

Secured liabilities

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Short-term borrowings	5,430	8,850	80,785
Long-term borrowings	12,749	9,249	84,429
Total	18,179	18,099	165,214

In addition to the above, POKKA INTERNATIONAL PTE. LTD.'s cash and deposits (27 million yen at December 31, 2018; 27 million yen (246 thousand U.S. dollars) at December 31, 2019) were pledged as collateral for a line of credit (874 million yen at December 31, 2018; 874 million yen (7,978 thousand U.S. dollars) at December 31, 2019). Short-term borrowings were outstanding under the line of credit (4 million yen at December 31, 2018; 4 million yen (37 thousand U.S. dollars) at December 31, 2019).

20. Leases

(1) Income and expense items related to right-of-use assets

Income and expense items related to right-of-use assets are presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Depreciation of right-of-use assets			
Right-of-use assets for which buildings and structures are the underlying asset	3,631	4,272	38,994
Right-of-use assets for which machinery and vehicles are the underlying asset	814	770	7,032
Right-of-use assets for which tools, furniture and fixtures are the underlying asset	2,023	1,647	15,032
Right-of-use assets for which land is the underlying asset	22	24	221
Total depreciation	6,490	6,713	61,279
Expense relating to short-term leases under recognition exemptions	1,708	2,187	19,967
Expense relating to leases of low-value assets under recognition exemptions	4,671	4,735	43,220
Expense relating to variable lease payments	882	795	7,257
Income from subleasing right-of-use assets	399	400	3,651

(2) Variable lease payments (Lessee)

Some real estate leases within the Group include payment terms that vary as a function of the amount of sales generated by the restaurant or café occupying the leased premises. Such variable payment terms are used to link lease payments to cash flows of restaurants or cafés and minimize fixed costs.

Fixed and variable lease payments (mainly for properties leased from external lessors) by restaurant brand are presented below.

For the fiscal year ended December 31, 2018

	(Millions of yen)		
	Fixed payments	Variable payments	Total payments
Sapporo Lion Limited	1,865	466	2,332
POKKA CREATE CO., LTD.	1,420	149	1,568
Total	3,285	615	3,900

For the fiscal year ended December 31, 2019

	(Millions of yen)		
	Fixed payments	Variable payments	Total payments
Sapporo Lion Limited	1,900	466	2,366
POKKA CREATE CO., LTD.	1,565	149	1,714
Total	3,465	615	4,080

For the fiscal year ended December 31, 2019

	(Thousands of U.S. dollars)		
	Fixed payments	Variable payments	Total payments
Sapporo Lion Limited	17,341	4,255	21,597
POKKA CREATE CO., LTD.	14,284	1,360	15,643
Total	31,625	5,615	37,240

(3) Extension options and termination options (Lessee)

Each Group subsidiary assumes responsibility for lease management. Accordingly, the lease terms and conditions are negotiated on a case-by-case basis, and the resultant leases contain widely differing contractual terms.

Extension options and termination options are included mainly in real estate leases pertaining to restaurants and warehouses. Most such leases provide an option to extend the lease for one year or a period equivalent to the original lease term and an option to terminate the lease early by furnishing six months' advance notice in writing to the other party.

These options are used by lessees as needed in utilizing real estate in their businesses.

(4) Residual value guarantees (Lessee)

The Group leases vending machines and plant facilities. In these leases, it guarantees the residual value of the right-of-use assets at the end of the contractual lease term.

Amounts scheduled to be payable pursuant to the residual value guarantees are presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Amounts scheduled to be payable under residual value guarantees	1,669	1,522	13,890

(5) Sale and leaseback transactions (Lessee)

Not applicable in the fiscal year ended December 31, 2019.

(6) Finance leases (Lessor)

Finance income on net investments in leases and income relating to variable lease payments are presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Finance income on net investments in leases	4	7	60
Income relating to variable lease payments	18	20	186

(7) Maturity analysis (Lessor)

The Group mainly leases real estate.

Lease payments receivable balances and lease payments under operating leases are disaggregated below by due date.

As of December 31, 2018

	(Millions of yen)						
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Lease payments receivable	306	204	119	74	60	220	983
Lease payments	10,849	5,725	3,379	2,857	2,572	7,334	32,715

As of December 31, 2019

	(Millions of yen)						
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Lease payments receivable	299	209	124	85	69	190	976
Lease payments	13,235	8,317	4,408	3,667	2,783	5,891	38,301

As of December 31, 2019

	(Thousands of U.S. dollars)						
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Lease payments receivable	2,732	1,910	1,133	772	629	1,735	8,911
Lease payments	120,816	75,917	40,236	33,473	25,405	53,777	349,625

(8) Risk management strategy (Lessor)

The Group collects leasehold deposits to ensure that it recovers any expenses incurred to restore leased properties to their status quo ante.

21. Trade and Other Payables

A breakdown of trade and other payables is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Notes and accounts payable - trade	35,292	34,475	314,701

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

22. Retirement Benefits

(1) Defined benefit plans

The Company and some of its consolidated subsidiaries have set up corporate pension fund plans and lump-sum payment plans as defined benefit plans. Certain consolidated subsidiaries have joined the Smaller Enterprise Retirement Allowance Mutual Aid System. Certain consolidated subsidiaries have established retirement benefit trusts. Additionally, the Company and some consolidated subsidiaries have established defined contribution plans and retirement benefit prepayment plans.

Benefit amounts under defined benefit plans are calculated based on points awarded for length of service, a payment rate that varies as a function of length of service and other conditions. In some cases, additional amounts are paid to early retirees.

The defined benefit plans are mainly operated by corporate pension funds legally separate from the Group in accord with the Defined-Benefit Corporate Pension Act. The pension funds' governing bodies and pension management trustees are legally required to act in the best interests of plan members. They have assumed responsibility for managing plan assets in accordance with prescribed policies.

The Group's retirement benefit plans are exposed to multiple risks, including investment risk associated with plan assets and interest rate risk associated with defined benefit plans.

Defined benefit plan amounts carried on the Consolidated Statement of Financial Position are presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Present value of defined benefit obligations	51,056	51,595	470,976
Fair value of plan assets	(39,340)	(46,589)	(425,272)
Net defined benefit liability	11,715	5,007	45,705
Retirement benefit asset	—	—	—
Retirement benefit liability	11,715	5,007	45,705
Net defined benefit liability	11,715	5,007	45,705

Amounts recognized as expenses on the Consolidated Statement of Profit or Loss in relation to defined benefit plans are presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Current service cost	1,593	1,696	15,485
Interest expenses and interest income	33	34	310
Total	1,626	1,730	15,794

Changes in the present value of defined benefit obligations are presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Balance at beginning of period	51,352	51,056	466,048
Current service cost	1,593	1,696	15,485
Interest expenses	334	321	2,930
Remeasurements	506	1,229	11,223
Actuarial gains and losses arising from changes in demographic assumptions	306	(3)	(24)
Actuarial gains and losses arising from changes in financial assumptions	103	957	8,735
Other	97	275	2,513
Benefits paid	(2,729)	(2,974)	(27,148)
Other changes	–	267	2,439
Balance at end of period	51,056	51,595	470,976

Changes in the fair value of plan assets are presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Balance at beginning of period	45,069	39,340	359,110
Interest income	1,034	990	9,033
Remeasurements			
Return on plan assets	(6,229)	6,808	62,149
Company contributions	1,925	2,024	18,472
Benefits paid	(2,459)	(2,574)	(23,493)
Balance at end of period	39,340	46,589	425,272

The values of the key actuarial assumption used to determine the present value of defined benefit obligations are presented below.

As of	December 31, 2018	December 31, 2019
Discount rate (%)	0.4 to 0.7%	0.4 to 0.5%

The effects on the defined benefit obligations of a hypothetical 0.5 percentage point increase or 0.5 percentage point decrease in the discount rate, the key actuarial assumption, are presented below. This sensitivity analysis assumes that all actuarial assumptions other than the one subject to the analysis remain constant.

As of		(Millions of yen)		(Thousands of U.S. dollars)
		December 31, 2018	December 31, 2019	December 31, 2019
Discount rate	0.5 percentage point increase	(3,042)	(3,038)	(27,734)
	0.5 percentage point decrease	3,315	3,311	30,224

The following table presents the fair value of plan assets by major category.

As of December 31, 2018

(Millions of yen)

	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Cash and cash equivalents	988	—	988
Equity instruments	10,128	—	10,128
Domestic stocks	3,511	—	3,511
Foreign stocks	6,617	—	6,617
Debt instruments	15,586	—	15,586
Domestic bonds	12,717	—	12,717
Foreign bonds	2,869	—	2,869
Life insurance general accounts	—	9,686	9,686
Other	—	2,951	2,951
Total	26,703	12,637	39,340

As of December 31, 2019

(Millions of yen)

	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Cash and cash equivalents	1,294	—	1,294
Equity instruments	14,166	—	14,166
Domestic stocks	4,631	—	4,631
Foreign stocks	9,535	—	9,535
Debt instruments	17,378	—	17,378
Domestic bonds	13,754	—	13,754
Foreign bonds	3,624	—	3,624
Life insurance general accounts	—	10,557	10,557
Other	—	3,194	3,194
Total	32,838	13,751	46,589

As of December 31, 2019

(Thousands of U.S. dollars)

	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Cash and cash equivalents	11,808	—	11,808
Equity instruments	129,307	—	129,307
Domestic stocks	42,273	—	42,273
Foreign stocks	87,034	—	87,034
Debt instruments	158,634	—	158,634
Domestic bonds	125,549	—	125,549
Foreign bonds	33,085	—	33,085
Life insurance general accounts	—	96,369	96,369
Other	—	29,153	29,153
Total	299,749	125,522	425,272

The Group's plan asset management policy aims to earn on a long-term basis overall returns required to ensure that benefits payable under defined benefit plans are paid into the future while staying within the plans' risk tolerance.

To achieve this objective, the plans conduct pension ALM (asset-liability management) with the assistance of external entities and have formulated policy asset mixes that optimally combine asset classes from a forward-looking perspective. In the policy asset mixes, the plans set risk levels, expected rates of return and asset allocations by investable asset class and manage their assets by maintaining those allocations.

In the fiscal year ending December 31, 2020, the Group plans to contribute 1,214 million yen (11,082 thousand U.S. dollars) to the plans.

The weighted-average durations for the defined benefit obligations at December 31, 2018, and December 31, 2019, were 9.1 to 13.5 years and 8.8 to 13.4 years, respectively.

(2) Defined contribution plans and public plans

Amounts recognized as expenses in relation to defined contribution plans in the fiscal years ended December 31, 2018, and December 31, 2019, were 3,963 million yen and 4,207 million yen (38,402 thousand U.S. dollars), respectively.

The above amounts include amounts recognized as expenses in relation to public plans.

23. Other Financial Liabilities

A breakdown of other financial liabilities is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Derivative liabilities	650	277	2,525
Accounts payable - other	24,337	24,332	222,106
Deposits received	7,226	6,856	62,581
Guarantee deposits received	45,573	46,516	424,610
Other	1,852	1,665	15,198
Total	79,639	79,645	727,019

Current liabilities	33,905	33,021	301,425
Non-current liabilities	45,733	46,624	425,594
Total	79,639	79,645	727,019

Derivative liabilities (except those subject to hedge accounting) are classified as financial liabilities measured at fair value through profit or loss. Accounts payable - other, deposits received, and guarantee deposits received are classified as financial liabilities measured at amortized cost.

24. Other Liabilities

A breakdown of other liabilities is presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Accrued expenses	18,330	18,187	166,014
Accrued alcohol tax	32,363	30,971	282,708
Accrued consumption taxes	4,946	4,716	43,049
Employees' bonuses	2,180	2,267	20,692
Employee compensated absence liabilities, etc.	973	1,013	9,247
Other	7,458	7,578	69,173
Total	66,251	64,731	590,883

Current liabilities	63,260	61,903	565,066
Non-current liabilities	2,991	2,828	25,817
Total	66,251	64,731	590,883

25. Equity

The number of shares authorized and shares issued are presented below.

(Thousands of shares)

For the fiscal year ended	December 31, 2018	December 31, 2019
Number of shares authorized	200,000	200,000
Number of shares issued		
At beginning of period	78,794	78,794
Changes during period	—	—
At end of period	78,794	78,794

All shares are ordinary shares with no par value. Issued shares are fully paid-up.

Additions to and reductions in treasury share holdings during the fiscal year are presented below.

(Thousands of shares)

For the fiscal year ended	December 31, 2018	December 31, 2019
At beginning of period	902	908
Additions	8	4
Reductions	(2)	(13)
At end of period	908	898

The additions to treasury share holdings were odd-lot share purchases of 8,000 shares in the fiscal year ended December 31, 2018, and 4,000 shares in the fiscal year ended December 31, 2019. The reductions in treasury share holdings in the fiscal year ended December 31, 2018, consisted of odd-lot share sales of 1,000 shares and disposal of 1,000 shares in conjunction with rights exercised by the Board Benefit Trust (BBT). In the fiscal year ended December 31, 2019, the reductions consisted of odd-lot share sales of 0 thousand shares and disposal of 13,000 shares in conjunction with rights exercised by the BBT.

Capital surplus consists of legal capital surplus and other capital surplus. Japan's Companies Act (the "Companies Act") stipulates that when shares are issued, at least half of the amount paid or the amount of properties delivered in consideration for the shares must be credited to share capital and the remainder must be credited to legal capital surplus.

Additionally, retained earnings consist of legal retained earnings and other retained earnings. The Companies Act stipulates that one-tenth of any amounts paid from retained earnings or other surplus as dividends must be accumulated in legal capital surplus or legal retained earnings until legal capital surplus and legal retained earnings' sum total equals one-quarter of share capital.

26. Dividends

Dividends paid are presented below.

For the fiscal year ended December 31, 2018

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 29, 2018	Ordinary shares	3,122	40.00	December 31, 2017	March 30, 2018

For the fiscal year ended December 31, 2019

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Total amount of dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 28, 2019	Ordinary shares	3,277	29,916	42.00	383.39	December 31, 2018	March 29, 2019

Dividends whose effective date falls in the following fiscal year are presented below.

For the fiscal year ended December 31, 2018

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 28, 2019	Ordinary shares	3,277	42.00	December 31, 2018	March 29, 2019

For the fiscal year ended December 31, 2019

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Total amount of dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 27, 2020	Ordinary shares	3,277	29,916	42.00	383.39	December 31, 2019	March 30, 2020

27. Revenue

(1) Disaggregation of revenue

i) Revenue recognized from contracts with customers and other sources

	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Revenue recognized from contracts with customers	469,765	467,534	4,267,764
Revenue recognized from other sources	24,143	24,362	222,386
Total	493,908	491,896	4,490,151

Revenue recognized from other sources is mostly rental income recognized pursuant to IFRS 16. Said rental income included 570 million yen and 563 million yen (5,143 thousand U.S. dollars) of income relating to variable lease payments in the fiscal years ended December 31, 2018, and December 31, 2019, respectively.

ii) Revenue disaggregated by geographical area and segment

For the fiscal year ended December 31, 2018

(Millions of yen)

	Japan	North America	Other	Total
Alcoholic Beverages Business	275,616	50,057	4,336	330,009
Food & Soft Drinks Business	113,532	118	19,733	133,384
Real Estate Business	24,483	—	—	24,483
Other	6,032	—	2	6,033
Total	419,662	50,175	24,071	493,908
Revenue recognized from contracts with customers	395,519	50,175	24,071	469,765
Revenue recognized from other sources	24,143	—	—	24,143

The above revenues are presented net of internal transactions between Group companies.

Revenue recognized from other sources is mostly rental income recognized pursuant to IFRS 16.

For the fiscal year ended December 31, 2019

(Millions of yen)

	Japan	North America	Other	Total
Alcoholic Beverages Business	273,193	48,119	3,126	324,438
Food & Soft Drinks Business	116,960	111	19,805	136,876
Real Estate Business	24,690	—	—	24,690
Other	5,821	30	41	5,892
Total	420,664	48,260	22,972	491,896
Revenue recognized from contracts with customers	396,302	48,260	22,972	467,534
Revenue recognized from other sources	24,362	—	—	24,362

For the fiscal year ended December 31, 2019

(Thousands of U.S. dollars)

	Japan	North America	Other	Total
Alcoholic Beverages Business	2,493,777	439,242	28,533	2,961,553
Food & Soft Drinks Business	1,067,636	1,010	180,789	1,249,435
Real Estate Business	225,373	—	—	225,373
Other	53,137	274	376	53,787
Total	3,839,923	440,527	209,698	4,490,148
Revenue recognized from contracts with customers	3,617,541	440,527	22,972	4,267,764
Revenue recognized from other sources	222,386	—	—	222,386

The above revenues are presented net of internal transactions between Group companies.

Revenue recognized from other sources is mostly rental income recognized pursuant to IFRS 16.

The Group comprises Alcoholic Beverages Business, Food & Soft Drinks Business, Real Estate Business and Other Business segments as the basis of its organization. The segments' operating results are regularly reviewed by the Company's Board of Directors to make decisions about resources to be allocated to the segments and assess their performance. The Group therefore presents revenues earned by these segments as revenue. Additionally, revenue is geographically disaggregated based on customers' locations.

Revenue generated by these segments is recognized in accordance with contracts with customers. Revenue that includes variable or other such consideration is insignificant in amount. Additionally, promised amounts of the consideration do not include a significant financing component.

Alcoholic Beverages Business

In the Alcoholic Beverages Business segment, Sapporo Breweries Limited manufactures and sells beer, low-malt beer (*happoshu*), domestic wine and other alcoholic beverages while Yebisu Winemart Co., Ltd., sells wine, Western liquor and other alcoholic beverages through both in-store and online channels in Japan. Overseas, SAPPORO U.S.A., INC. sells beer in the U.S., SLEEMAN BREWERIES LTD. manufactures and sells beer in Canada, and SAPPORO VIETNAM LTD. manufactures and sells beer in Vietnam. In the restaurants business, Sapporo Lion Limited operates eating and drinking establishments in various formats, most notably the Lion chain of beer halls and restaurants.

Sapporo Breweries' customers are mainly retailers and wholesalers. Sapporo Breweries recognizes revenue when it transfers control of its products to the customer (i.e., when the products are delivered to the location designated by the customer) because that is the point in time at which legal title to and physical possession of the products, and the significant risks and rewards of ownership of the products are transferred to the customer and the customer gains the right to set sales prices and determine how to sell the products. Sapporo Breweries generally receives payment within three months of products' delivery, the point in time at which its performance obligations are satisfied.

Yebisu Winemart's customers are mainly consumers who use its stores. For such sales, Yebisu Winemart recognizes revenue when it transfers control of merchandise to the customer (i.e., when the merchandise is provided to the customer) because that is the point in time at which legal title to and physical possession of the merchandise, and the significant risks and rewards of ownership of the merchandise are transferred to the customer. Yebisu Winemart generally receives payment of consideration upon satisfaction of its performance obligations.

Overseas customers to which the Group sells beer are mainly retailers and wholesalers. Revenue from such sales is recognized when control of the products is transferred to the customer (i.e., when the products are delivered to the location designated by the customer) because that is the point in time at which legal title to and physical possession of the products, and the significant risks and rewards of ownership of the products are transferred to the customer and the customer gains the right to set sales prices and determine how to sell the products. Payment is generally received within three months of products' delivery, the point in time at which performance obligations are satisfied.

The various eating and drinking establishment customers are mainly consumers who use the eating and drinking establishments. Revenue from such sales is recognized when control of merchandise is transferred to the customer (i.e., when the merchandise is served to the customer) because that is the point in time at which legal title to and physical possession of the merchandise, and the significant risks and rewards of ownership of the merchandise are transferred to the customer. Payment of the consideration is generally received upon satisfaction of performance obligations.

Food & Soft Drinks Business

In the Food & Soft Drinks Business segment, POKKA SAPPORO Food & Beverage Ltd. manufactures and sells soft drinks, bottled water and food while POKKA CREATE CO., LTD. operates cafés. Shinsyu-ichi Miso Co., Ltd. manufactures and sells food. Overseas, POKKA CORPORATION (SINGAPORE) PTE. LTD. manufactures and sells soft drinks and food in Singapore; and POKKA ACE (MALAYSIA) SDN. BHD. and POKKA (MALAYSIA) SDN. BHD. manufacture and sell soft drinks in Malaysia.

Customers to which the Group sells food and soft drinks are mainly retailers and wholesalers. Revenue from such sales is recognized when control of the products is transferred to the customer (i.e., when the products are delivered to the location designated by the customer) because that is the point in time at which legal title to and physical possession of the products, and the significant risks and rewards of ownership of the products are transferred to the customer and the customer gains the right to set sales prices and determine how to sell the products. Payment is generally received within three months of products' delivery, the point in time at which performance obligations are satisfied.

The café customers are mainly consumers who use the cafés. Revenue from such sales is recognized when control of merchandise is transferred to the customer (i.e., when the merchandise is served to the customer) because that is the point in time at which legal title to and physical possession of the merchandise, and the significant risks and rewards of ownership of the merchandise are transferred to the customer. Payment of the consideration is generally received upon satisfaction of performance obligations.

Real Estate Business

In the Real Estate Business segment, Sapporo Real Estate Co., Ltd. manages and operates Yebisu Garden Place complex that includes office space, residential units, retail stores, restaurants and cultural facilities (Shibuya-ku and Meguro-ku,

Tokyo); and Sapporo Factory, a shopping and entertainment complex (Chuo-ku, Sapporo). TOKYO ENERGY SERVICE CO., LTD. supplies energy to the Yebisu Garden Place properties.

Rental income from management and operation of real estate is recognized in the period earned, in accordance with IFRS 16.

The Alcoholic Beverages Business and Food & Soft Drinks Business segments' products are sometimes sold subject to special terms, including rebates contingent on achievement of a certain target such as a sales volume or sales revenue target ("target rebates"). In such cases, the transaction price is measured at the promised consideration in the contract with the customer less the estimated target rebate or other amount contingently payable to the customer. Target rebates and other amounts contingently payable to customers are estimated using the most likely amount method based on historical data and other relevant information. Revenue is recognized net of estimated rebates only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

When the Group pays sales promotion incentives or other such consideration to customers, revenue is measured by deducting the consideration from the transaction price if the consideration is a payment for a distinct good or service from the customer and the good or service's fair value cannot be reasonably estimated.

(2) Contract balances

Balances of receivables, contract assets and contract liabilities from contracts with customers are presented below.

As of	(Millions of yen)			(Thousands of U.S. dollars)
	January 1, 2018	December 31, 2018	December 31, 2019	December 31, 2019
Receivables from contracts with customers				
Notes and accounts receivable - trade	98,325	93,340	92,529	844,628
Total	98,325	93,340	92,529	844,628

(3) Transaction price allocated to the remaining performance obligations

The Group has no significant individual transactions with an expected contract term longer than one year. Additionally, the transaction price allocated to the remaining performance obligations does not include any significant consideration from contracts with customers that has been excluded from the transaction price.

(4) Assets recognized from the costs to obtain or fulfill a contract with a customer

Of incremental costs of obtaining contracts with customers and costs incurred to fulfill contracts with customers, any amounts expected to be recovered are recognized as assets and carried on the Consolidated Statement of Financial Position as "other assets." Incremental costs of obtaining a contract are costs incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

The Group has no incremental costs of obtaining contracts that are recognized as assets.

28. Employee Benefit Expenses

A breakdown of employee benefit expenses is presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Wages and salaries	56,369	57,855	528,118
Social security expenses	7,627	7,884	71,971
Retirement benefit expenses	2,614	2,898	26,454
Total	66,609	68,638	626,543

29. Research and Development Expenses

Research and development expenses recognized as expenses in the fiscal years ended December 31, 2018, and December 31, 2019, were 2,840 million yen and 2,994 million yen (27,333 thousand U.S. dollars), respectively.

30. Other Operating Income and Other Operating Expenses

A breakdown of other operating income is presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Gain on sale of fixed assets	1,279	2,055	18,760
Valuation gain on exchange of production equipment	709	—	—
Compensation income	—	348	3,178
Other	1,021	1,124	10,263
Total	3,009	3,528	32,201

A breakdown of other operating expenses is presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Loss on sale and retirement of property, plant and equipment, and intangible assets	618	454	4,146
Impairment losses	5,430	1,342	12,253
Other	532	1,247	11,384
Total	6,580	3,044	27,783

31. Finance Income and Finance Costs

A breakdown of finance income and finance costs is presented below.

(1) Finance income

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Interest income			
Financial assets measured at amortized cost	145	140	1,280
Dividend income			
Financial assets measured at fair value through other comprehensive income	978	1,045	9,540
Foreign exchange gain	—	19	176
Other	16	23	206
Total	1,139	1,227	11,202

(2) Finance costs

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Interest expenses			
Financial liabilities measured at amortized cost	1,362	1,287	11,750
Lease liabilities	629	577	5,266
Foreign exchange loss	126	—	—
Total	2,117	1,864	17,016

At December 31, 2018, interest rates on lease liabilities ranged from 0.45% to 6.24%.

At December 31, 2019, interest rates on lease liabilities ranged from 0.44% to 6.24%.

32. Other Comprehensive Income

Changes in items of other comprehensive income during each year are presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Financial assets measured at fair value through other comprehensive income			
Amount arising during period	(13,283)	9,362	85,454
Tax effect	4,082	(2,951)	(26,933)
Net amount	(9,201)	6,411	58,521
Remeasurements of defined benefit plans			
Amount arising during period	(5,334)	6,622	60,450
Tax effect	1,646	(2,028)	(18,509)
Net amount	(3,688)	4,595	41,941
Exchange differences on translation of foreign operations			
Amount arising during period	(2,765)	348	3,176
Reclassification adjustments	—	537	4,906
Tax effect	—	—	—
Net amount	(2,765)	885	8,083
Effective portion of net change in fair value of cash flow hedges			
Amount arising during period	244	720	6,569
Reclassification adjustments	(288)	(503)	(4,590)
Tax effect	(26)	(13)	(117)
Net amount	(69)	204	1,864
Total other comprehensive income	(15,724)	12,095	110,409

33. Cash Flows

(1) Changes in liabilities arising from financing activities

During the fiscal year ended December 31, 2018

(Millions of yen)

Item	January 1, 2018	Changes from financing cash flows	Non-cash changes				December 31, 2018
			Acquisition of right-of-use assets	Currency translation gains (losses)	Changes in fair values	Other	
Short-term borrowings	15,356	(264)	—	(156)	—	—	14,936
Commercial papers	32,000	(3,500)	—	—	—	—	28,500
Long-term borrowings (Note)	126,573	(10,524)	—	(970)	—	—	115,079
Bonds payable (Note)	59,971	9,953	—	—	—	(92)	69,832
Lease liabilities	30,828	(7,038)	8,557	(391)	—	(718)	31,238
Derivative liabilities (assets) held to hedge liabilities	(811)	—	—	—	936	—	125
Total	263,916	(11,373)	8,557	(1,518)	936	(809)	259,710

(Note) Includes current portion of long-term borrowings and current portion of bonds payable.

During the fiscal year ended December 31, 2019

(Millions of yen)

Item	January 1, 2019	Changes from financing cash flows	Non-cash changes					December 31, 2019
			Acquisition of right-of-use assets	Currency translation gains (losses)	Changes in fair values	Change in scope of consolidation	Other	
Short-term borrowings	14,936	920	—	18	—	(3,100)	—	12,774
Commercial papers	28,500	(6,500)	—	—	—	—	—	22,000
Long-term borrowings (Note)	115,079	(116)	—	(181)	—	(2,023)	—	112,759
Bonds payable (Note)	69,832	9,987	—	—	—	—	(11)	79,808
Lease liabilities	31,238	(7,016)	6,149	86	—	296	(295)	30,459
Derivative liabilities (assets) held to hedge liabilities	125	—	—	—	(159)	307	—	272
Total	259,710	(2,724)	6,149	(77)	(159)	(4,520)	(306)	258,072

During the fiscal year ended December 31, 2019

(Thousands of U.S. dollars)

Item	January 1, 2019	Changes from financing cash flows	Non-cash changes					December 31, 2019
			Acquisition of right-of-use assets	Currency translation gains (losses)	Changes in fair values	Change in scope of consolidation	Other	
Short-term borrowings	136,336	8,402	—	167	—	(28,300)	—	116,606
Commercial papers	260,155	(59,334)	—	—	—	—	—	200,822
Long-term borrowings (Note)	1,050,468	(1,058)	—	(1,648)	—	(18,467)	—	1,029,295
Bonds payable (Note)	637,444	91,162	—	—	—	—	(102)	728,504
Lease liabilities	285,151	(64,040)	56,133	—	—	2,706	(2,692)	278,039
Derivative liabilities (assets) held to hedge liabilities	1,143	—	—	—	(1,455)	2,798	—	2,485
Total	2,370,696	(24,866)	56,133	(700)	(1,455)	(41,263)	(2,794)	2,355,750

(Note) Includes current portion of long-term borrowings and current portion of bonds payable.

(2) Changes in ownership interests in subsidiaries

1. Proceeds from and payments for acquisition of subsidiaries

During the fiscal year ended December 31, 2018

The Group acquired trust beneficiary rights in investment and rental property. Details are disclosed under “15. Investment Property, (1) Changes in investment property.”

During the fiscal year ended December 31, 2019

The Group acquired shares in Wild Rose Brewery Ltd. and two other companies and consolidated them. The following table presents the major breakdown of assets acquired and liabilities assumed when consolidation of said companies began as well as the relationship between the cost of shares of the companies and payments for the acquisition.

(Millions of yen)

Acquisition of subsidiaries	
Assets acquired	6,654
Liabilities assumed	5,428
Net assets of subsidiaries	1,226
Goodwill and other	905
Fair value of consideration paid	2,131
Cash and cash equivalents at the time of acquisition	497
Payments for acquisition	(1,633)

(Thousands of U.S. dollars)

Acquisition of subsidiaries	
Assets acquired	60,741
Liabilities assumed	49,552
Net assets of subsidiaries	11,189
Goodwill and other	8,259
Fair value of consideration paid	19,448
Cash and cash equivalents at the time of acquisition	4,541
Payments for acquisition	(14,908)

2. Proceeds from and payments for sale of subsidiaries

During the fiscal year ended December 31, 2018

Not applicable.

During the fiscal year ended December 31, 2019

The Group sold shares in Country Pure Foods, Inc. and 11 other companies. The following table presents the major breakdown of assets and liabilities when control of said subsidiaries was lost as well as the relationship between the consideration received and payments for sale of the subsidiaries.

(Millions of yen)

Sale of subsidiaries	
Assets sold	22,450
Liabilities sold	11,563
Net assets of subsidiaries	10,887
Fair value of consideration received	2,012
Cash and cash equivalents at the time of sale	705
Proceeds from sale of discontinued operations	1,798
Payments for sale	(491)

(Thousands of U.S. dollars)

Sale of subsidiaries	
Assets sold	204,934
Liabilities sold	105,551
Net assets of subsidiaries	99,382
Fair value of consideration received	18,364
Cash and cash equivalents at the time of sale	6,435
Proceeds from sale of discontinued operations	16,414
Payments for sale	(4,485)

34. Earnings per Share

Basic earnings per share, diluted earnings per share and the basis of their calculation are presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Profit from continuing operations attributable to owners of parent	8,922	7,742	70,668
Adjustment	13	19	176
Profit from continuing operations used to calculate diluted earnings per share	8,936	7,761	70,843
Loss from discontinued operations attributable to owners of parent	(401)	(3,386)	(30,904)
Loss from discontinued operations used to calculate diluted earnings per share	(401)	(3,386)	(30,904)

Weighted average number of ordinary shares outstanding during period (Thousands of shares)	77,891	77,893
Effects of dilutive potential ordinary shares (Thousands of shares)		
Convertible bonds with share acquisition rights	3,783	5,048
Board Benefit Trust (BBT)	25	18
Diluted weighted average number of ordinary shares outstanding during period (Thousands of shares)	81,699	82,959

	(Yen)		(U.S. dollars)
Basic earnings (loss) per share			
Continuing operations	114.55	99.39	907.25
Discontinued operations	(5.15)	(43.46)	(396.76)
Basic earnings per share	109.40	55.92	510.49
Diluted earnings (loss) per share			
Continuing operations	109.37	93.55	854.00
Discontinued operations	(4.91)	(40.81)	(372.54)
Diluted earnings per share	104.46	52.74	481.45

(Note) The number of the Company's own shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) in association with the "Board Benefit Trust (BBT)" plan is included in the number of treasury shares that are deducted in the calculation of the weighted average number of ordinary shares outstanding during the period for the purpose of calculating earnings per share.
The weighted average number of such treasury shares deducted in calculating earnings per share for the fiscal years ended December 31, 2018, and December 31, 2019, was 148,386 shares and 140,336 shares, respectively.

35. Share-based Payment

(1) Overview of performance-based share-based remuneration plan

Effective May 31, 2016, the Company adopted a Board Benefit Trust plan (the “BBT Plan”) as a remuneration plan for corporate officers pursuant to a resolution approved at the 92nd Ordinary General Meeting of Shareholders on March 30, 2016.

The BBT Plan is a share-based payment plan where Company shares are acquired through a trust, using funds contributed by the Company, and remuneration is paid through the trust to eligible corporate officers of the Group in the form of Company shares and cash in an amount equivalent to the market value of Company shares at end of the recipient’s tenure as an eligible corporate officer in accordance with Corporate Officer Share-Based Payment Regulations prescribed by the Company and its subsidiaries that participate in the BBT Plan. As a general rule, eligible corporate officers of the Group receive Company shares as remuneration upon completion of their tenure as eligible corporate officers.

The BBT Plan’s trustee, Mizuho Trust & Banking Co., Ltd., acquired 754,600 shares by purchasing them from the Company’s treasury share holdings using money in an amount of 445 million yen, which had been entrusted by the Company on May 31, 2016. Future share acquisition plans have yet to be determined. Even after being deposited to the trust, the shares held in trust are still accounted for as treasury shares. Remuneration paid by the share-based payment plan is accounted for as equity-settled share-based payments.

Effective July 1, 2016, the Company implemented a five-for-one reverse split of its ordinary shares. The number of treasury shares held by the BBT trust account at December 31, 2019 was 134,920 shares.

(2) Amounts recognized on Consolidated Statement of Profit or Loss

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Total expenses recognized due to performance-based share-based remuneration plan	3	7	67

Share-based payment expenses are included in “selling, general and administrative expenses.”

36. Financial Instruments

(1) Capital management

The Group’s basic policy is to endeavor to increase its profitability and expand its growth businesses while appropriately allocating the resources it obtains from its operations to growth investments and solidification of its financial foundations in accord with its Medium-Term Management Plan. In terms of financial strategy, the Group plans to proactively make growth investments in pursuit of corporate value accretion and to become more stable by strengthening its financial foundations.

The key performance indicator that the Group uses for capital management is the net debt/equity ratio. The Group will scrutinize its capital efficiency more rigorously, further increase financial discipline across all of its businesses, proactively migrate to an asset-light model and manage its cash flows with an emphasis on efficiency. It will allocate capital by striving to maintain a proper balance among investment, shareholder returns and improvement in its financial condition. It aims to reduce its net debt/equity ratio to below 1.0.

The Group’s net debt/equity ratio is presented below.

As of	December 31, 2018	December 31, 2019
Net debt/equity ratio (Note)	1.5	1.4

(Note) Net interest-bearing debt ÷ equity attributable to owners of parent
Net interest-bearing debt = interest-bearing debt – (cash and cash equivalents + liquid investments)

(2) Matters pertaining to risk management

The Group is exposed to financial risks in the course of its business activities across a broad range of sectors in various regions and countries. To mitigate and avert these risks, the Group conducts risk management based on certain policies. With respect to derivatives, the Group’s policy is to limit its positions within the range of its actual demand for the underlying instrument or commodity and to never engage in speculative trading. Derivatives’ contract balances, fair value and other particulars are regularly reported to the corporate officer in charge of monitoring derivative exposures, in accord with internal regulations on trading authority, position limits and other such matters.

(3) Credit risk

Trade and other receivables that arise from the Group's business activities are exposed to customers' credit risk. Additionally, the Group's securities holdings are exposed to the issuers' credit risk. Moreover, derivative trades in which the Group engages to hedge financial risks are exposed to the credit risk of the financial institutions that are counterparties to the trades.

The Group regularly monitors the status of its debtors with significant trade receivable or long-term loan receivable balances in accordance with its Receivable Management Regulations. In addition to managing due dates and balances on a debtor-by-debtor basis, the Group is committed to early detection and mitigation of collection concerns due to deterioration in debtors' financial condition. The Group's bond holdings consist mainly of bonds issued by customers. The Group regularly checks the state of the issuers' operations. When using derivatives, the Group trades only with highly creditworthy counterparties, mostly financial institutions, to minimize credit risk associated with contractual nonperformance by a counterparty. The Group does not have any excessive credit risk concentrations with special controls.

At the end of each fiscal year, the Group uses allowances for doubtful accounts to recognize impairment losses. For individually significant financial assets, it recognizes the impairment losses at unrecoverable amount. For individually insignificant financial assets, it recognizes the impairment losses at an amount based on historical credit losses experience and other relevant information. Allowances for doubtful accounts associated with said financial assets are included in "trade receivables" and "other financial assets" on the Consolidated Statement of Financial Position.

Changes in allowances for doubtful accounts measured at an amount equal to the lifetime expected credit losses are presented below.

For loans receivable, 12-month expected credit losses and lifetime expected credit losses do not differ significantly from each other.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Balance at beginning of period	1,319	1,380	12,598
Increase during period	154	175	1,602
Decrease during period (utilization)	(106)	(171)	(1,563)
Decrease during period (reversal)	(83)	(167)	(1,525)
Other changes	97	(5)	(45)
Balance at end of period	1,380	1,212	11,066

The Group's maximum exposure to credit risk on financial assets is their post-impairment carrying amount presented on the Consolidated Statement of Financial Position.

(4) Liquidity risk

Trade payables, borrowings and other liabilities are exposed to liquidity risk, the risk of inability to pay the liabilities when due as a result of changes in the financial environment or other such events.

The Group has adopted a cash management system in the aim of reducing consolidated interest-bearing debt and ensuring on-hand availability of sufficient liquidity through unified management of both its own funds and major consolidated subsidiaries' funds. Finance staff manage liquidity risk by preparing funding and cash deployment plans, continually monitoring budgeted and actual cash flows and arranging overdraft facilities and other similar facilities on an ongoing basis.

Financial liability (including derivative financial instruments) balances are presented below by maturity or due date.

As of December 31, 2018

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	35,292	35,292	35,292	—	—	—	—	—
Short-term borrowings	14,936	14,936	14,936	—	—	—	—	—
Commercial papers	28,500	28,500	28,500	—	—	—	—	—
Long-term borrowings	115,079	115,236	20,424	20,205	19,539	14,540	21,523	19,006
Bonds payable	69,832	70,061	10,013	20,013	30,008	10,003	23	—
Lease liabilities	31,238	31,238	6,743	4,660	3,500	3,239	1,714	11,382
Accounts payable - other	24,337	24,337	23,998	167	103	57	12	—
Other (Note)	54,956	54,956	9,890	—	—	—	—	45,066
Derivative liabilities								
Currency forwards	8	8	8	—	—	—	—	—
Commodity futures	172	172	172	—	—	—	—	—
Interest rate swaps	204	204	18	24	104	58	—	—
Cross-currency interest rate swaps	142	142	—	142	—	—	—	—

(Note) “Other” mainly consists of deposits received and guarantee deposits received. Guarantee deposits received are classified in the “over 5 years” column because, as a general rule, they are not scheduled to be refunded as long as the business transactions that they secure are ongoing.

As of December 31, 2019

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	34,475	34,475	34,475	—	—	—	—	—
Short-term borrowings	12,774	12,774	12,774	—	—	—	—	—
Commercial papers	22,000	22,000	22,000	—	—	—	—	—
Long-term borrowings	112,759	112,947	17,186	19,322	16,540	21,523	17,375	21,001
Bonds payable	79,808	80,047	20,013	30,008	10,003	23	—	20,000
Lease liabilities	30,459	30,459	6,538	4,754	3,909	2,334	1,821	11,103
Accounts payable - other	24,332	24,332	24,072	131	80	36	11	1
Other (Note)	55,038	55,038	8,781	—	—	—	—	46,257
Derivative liabilities								
Currency forwards	—	—	—	—	—	—	—	—
Commodity futures	—	—	—	—	—	—	—	—
Interest rate swaps	112	112	5	66	42	—	—	—
Cross-currency interest rate swaps	163	163	163	—	—	—	—	—

As of December 31, 2019

(Thousands of U.S. dollars)

	Carrying amount	Contractual cash flows	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	314,701	314,701	314,701	—	—	—	—	—
Short-term borrowings	116,606	116,606	116,606	—	—	—	—	—
Commercial papers	200,822	200,822	200,822	—	—	—	—	—
Long-term borrowings	1,029,295	1,031,008	156,882	176,373	150,985	196,464	158,605	191,699
Bonds payable	728,504	730,693	182,686	273,922	91,312	208	—	182,565
Lease liabilities	278,039	278,039	59,682	43,391	35,679	21,308	16,625	101,354
Accounts payable - other	222,106	222,106	219,739	1,191	734	331	97	13
Other (Note)	502,404	502,404	80,158	—	—	—	—	422,246
Derivative liabilities								
Currency forwards	—	—	—	—	—	—	—	—
Commodity futures	—	—	—	—	—	—	—	—
Interest rate swaps	1,024	1,024	43	599	382	—	—	—
Cross-currency interest rate swaps	1,486	1,486	1,486	—	—	—	—	—

(Note) “Other” mainly consists of deposits received and guarantee deposits received. Guarantee deposits received are classified in the “over 5 years” column because, as a general rule, they are not scheduled to be refunded as long as the business transactions that they secure are ongoing.

(5) Currency risk

Foreign currency receivables and payables arising from the Group's global business operations are exposed to currency risk. The Group hedges foreign currency trade receivables and payables, borrowings and loans receivable as necessary, using instruments such as currency forwards and currency swaps.

Exchange rate sensitivity analysis

If the yen had hypothetically been worth 1% more against the U.S. dollar than it actually was at fiscal year-end, the resultant effects on the Group's foreign currency financial instrument holdings' carrying amounts at fiscal year-end would have affected profit before tax on the Consolidated Statement of Profit or Loss as shown below.

In this analysis, the effect on profit before tax was calculated by multiplying each currency risk exposure by 1% while assuming that exchange rate movements have no effect on other variables (e.g., other currencies' exchange rates, interest rates).

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
U.S. dollar (1% yen appreciation)	0	0	1

(6) Interest rate risk

The Group's interest rate risk arises from its interest-bearing debt net of cash equivalents and the like.

Loans borrowed and bonds issued by the Group are intended to raise required working capital and funding for capital investments. A portion of the Group's borrowings and bonds payable are floating-rate instruments and therefore exposed to interest rate risk.

The Group hedges interest rate risk using derivatives (interest rate swaps).

Interest rate sensitivity analysis

If interest rates had hypothetically been 100 basis points higher than they actually were at fiscal year-end, the resultant effects on the Group's financial instrument holdings' carrying amounts at fiscal year-end would have affected profit before tax on the Consolidated Statement of Profit or Loss as shown below.

This analysis applies the hypothetical increase only to financial instruments affected by interest rate movements and assumes that other factors (e.g., effects of exchange rate movements) remain constant.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Profit before tax	(62)	(82)	(753)

(7) Market risk

The Group's holdings of marketable securities and certain other financial instruments are exposed to market risk.

The Group regularly checks marketable securities and certain other financial instruments' fair value and assesses the financial condition of and other relevant matters concerning issuers (customers/counterparties) and reviews the status of its holdings of marketable securities and other financial instruments on an ongoing basis in light of its relationships with customers and other counterparties.

(8) Financial instruments' fair value

Financial instruments are classified into the following three-level fair value hierarchy.

Level 1: Fair value measured based on unadjusted, publicly quoted prices in an active market for the identical asset or liability

Level 2: Fair value measured using observable prices other than Level 1 quoted prices, either directly or indirectly

Level 3: Fair value measured with valuation techniques that include inputs not based on significant observable market data

At the end of each period, the Group assesses whether any significant transfers of financial instruments between levels have occurred. No significant financial instruments were transferred between levels in the fiscal year ended December 31, 2018, or the fiscal year ended December 31, 2019.

i) Financial instruments measured at fair value on a recurring basis

Financial assets and financial liabilities measured at fair value are presented below.

As of December 31, 2018

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	217	—	217
Stocks	45,006	—	14,477	59,483
Total	45,006	217	14,477	59,701
Financial liabilities				
Derivative liabilities	—	650	—	650
Total	—	650	—	650

As of December 31, 2019

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	12	—	12
Stocks	53,571	—	15,693	69,264
Total	53,571	12	15,693	69,265
Financial liabilities				
Derivative liabilities	—	277	—	277
Total	—	277	—	277

As of December 31, 2019

(Thousands of U.S. dollars)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	112	—	112
Stocks	489,011	—	143,246	632,258
Total	489,011	112	143,246	632,271
Financial liabilities				
Derivative liabilities	—	2,525	—	2,525
Total	—	2,525	—	2,525

Stocks

Stocks are included in “other financial assets” on the Consolidated Statement of Financial Position.

Fair values of marketable stocks classified in Level 1 of the fair value hierarchy are based on unadjusted, publicly quoted prices in an active market for the identical asset or liability.

For unlisted stocks and other equity interests for which publicly quoted prices in an active market are not available and that are classified in Level 3, fair value is measured using the comparable company analysis or other appropriate valuation technique based on inputs such as comparisons with reasonably available comparable companies' price-to-earnings and price-to-book value ratios.

Fair value is assumed to change as a function of comparisons with comparable companies' price-to-earnings ratios and/or other valuation metrics. If unobservable inputs were changed to reflect reasonably possible alternative assumptions, fair values would not change significantly.

For financial instruments classified in Level 3, fair value is measured using a valuation method selected for the financial instrument in question by the appraiser, in accordance with valuation policies and procedures (including valuation techniques used to measure fair value) approved by qualified authorized personnel. Fair value measurement results are reviewed and approved by qualified authorized personnel.

Derivative assets and derivative liabilities

Derivative assets and derivative liabilities are respectively included in "other financial assets" and "other financial liabilities" on the Consolidated Statement of Financial Position and classified as financial assets and financial liabilities measured at fair value through profit or loss. They include currency forwards, currency swaps and interest rate swaps. Their fair value is measured mainly based on models that use observable inputs such as foreign currency exchange rates and interest rates.

Changes in financial instruments classified in Level 3 are presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Balance at beginning of period	17,389	14,477	132,151
Other comprehensive income (Note)	(3,283)	1,355	12,372
Purchase	500	1,279	11,675
Sale	(94)	(559)	(5,106)
Other changes	(35)	(859)	(7,846)
Balance at end of period	14,477	15,693	143,246

(Note) Included in "financial assets measured at fair value through other comprehensive income" on the Consolidated Statement of Comprehensive Income.

ii) Financial instruments measured at amortized cost

Carrying amounts and fair values of financial assets and financial liabilities measured at amortized cost are presented below.

As of December 31, 2018

	Carrying amount	(Millions of yen)			
		Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Long-term loans receivable	495	—	497	—	497
Bonds	5,000	—	5,201	—	5,201
Total	5,495	—	5,698	—	5,698
Liabilities					
Long-term borrowings	115,079	—	115,662	—	115,662
Bonds payable	69,832	—	70,158	—	70,158
Total	184,911	—	185,820	—	185,820

As of December 31, 2019

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Long-term loans receivable	312	—	312	—	312
Bonds	5,000	—	5,143	—	5,143
Total	5,312	—	5,455	—	5,455
Liabilities					
Long-term borrowings	112,759	—	112,958	—	112,958
Bonds payable	79,808	—	79,903	—	79,903
Total	192,567	—	192,861	—	192,861

As of December 31, 2019

(Thousands of U.S. dollars)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Long-term loans receivable	2,852	—	2,852	—	2,852
Bonds	45,641	—	46,945	—	46,945
Total	48,493	—	49,797	—	49,797
Liabilities					
Long-term borrowings	1,029,295	—	1,031,110	—	1,031,110
Bonds payable	728,504	—	729,376	—	729,376
Total	1,757,799	—	1,760,486	—	1,760,486

Instruments whose fair value approximates their carrying amount are omitted from the table above.

Long-term loans receivable

The fair value of loans receivable classified in Level 2 is measured based on the present value of principal and interest expected to be received, discounted at the interest rate that would hypothetically be charged on an identical newly originated loan.

Bonds

The fair value of bonds classified in Level 2 is measured based on the present value of total principal and interest, discounted using an interest rate that factors in credit risk.

Long-term borrowings

The fair value of long-term borrowings classified in Level 2 is measured based on the present value of total principal and interest, discounted at the interest rate that would hypothetically be charged on an identical newly originated loan.

Bonds payable

The fair value of bonds payable classified in Level 2 is measured based on market prices if available. If market prices are not

available, fair value is measured at the present value of total principal and interest, discounted using an interest rate that factors in the bond's residual maturity and credit risk.

(9) Derivatives

i) Derivatives subject to hedge accounting

A maturity analysis of hedging instruments' notional amount is presented below.

As of December 31, 2018

(Millions of yen)

	Notional amount	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Cash flow hedges							
Currency risk							
Currency forwards	1,203	1,203	—	—	—	—	—
Commodity price risk							
Commodity futures	1,707	1,707	—	—	—	—	—
Interest rate risk							
Interest rate swaps	33,134	11,442	8,242	8,950	4,500	—	—
Interest rate and currency risk							
Cross-currency interest rate swaps	1,804	—	1,804	—	—	—	—

As of December 31, 2019

(Millions of yen)

	Notional amount	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Cash flow hedges							
Currency risk							
Currency forwards	774	719	54	—	—	—	—
Commodity price risk							
Commodity futures	—	—	—	—	—	—	—
Interest rate risk							
Interest rate swaps	21,640	8,190	8,950	4,500	—	—	—
Interest rate and currency risk							
Cross-currency interest rate swaps	1,804	1,804	—	—	—	—	—

As of December 31, 2019

(Thousands of U.S. dollars)

	Notional amount	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Cash flow hedges							
Currency risk							
Currency forwards	7,062	6,566	497	—	—	—	—
Commodity price risk							
Commodity futures	—	—	—	—	—	—	—
Interest rate risk							
Interest rate swaps	197,538	74,763	81,698	41,077	—	—	—
Interest rate and currency risk							
Cross-currency interest rate swaps	16,470	16,470	—	—	—	—	—

Currency forwards and currency swaps' main contract rates, commodity futures' main prices and interest rate swaps' main pay rates are presented below.

	As of December 31, 2018	As of December 31, 2019
Cash flow hedges		
Currency risk		
Currency forwards		
USD	108.15 yen to 110.87 yen	—
EUR	126.52 yen to 132.86 yen	120.89 yen
Commodity price risk		
Commodity futures		
Frozen concentrated orange juice futures	1.285 to 1.570 dollars/lb.	—
Interest rate risk		
Interest rate swaps		
Pay fixed, receive floating	0.40% to 2.16%	0.40% to 2.16%
Interest rate and currency risk		
Cross-currency interest rate swaps		
Receive JPY, pay USD	120.45 yen	120.45 yen
Pay fixed, receive floating	0.13%	0.13%

Amounts related to items designated as hedging instruments are presented below.

As of December 31, 2018

(Millions of yen)

	Notional amount	Carrying amount		Consolidated Statement of Financial Position account
		Assets	Liabilities	
Cash flow hedges				
Currency risk				
Currency forwards	1,203	0	8	Other financial assets Other financial liabilities
Commodity price risk				
Commodity futures	1,707	—	172	Other financial liabilities
Interest rate risk				
Interest rate swaps	33,134	70	204	Other financial assets Other financial liabilities
Currency and interest rate risk				
Cross-currency interest rate swaps	1,804	—	142	Other financial liabilities

As of December 31, 2019

(Millions of yen)

	Notional amount	Carrying amount		Consolidated Statement of Financial Position account
		Assets	Liabilities	
Cash flow hedges				
Currency risk				
Currency forwards	774	10	—	Other financial assets Other financial liabilities
Commodity price risk				
Commodity futures	—	—	—	Other financial liabilities
Interest rate risk				
Interest rate swaps	21,640	3	112	Other financial assets Other financial liabilities
Currency and interest rate risk				
Cross-currency interest rate swaps	1,804	—	163	Other financial liabilities

As of December 31, 2019

(Thousands of U.S. dollars)

	Notional amount	Carrying amount		Consolidated Statement of Financial Position account
		Assets	Liabilities	
Cash flow hedges				
Currency risk				
Currency forwards	7,062	87	—	Other financial assets Other financial liabilities
Commodity price risk				
Commodity futures	—	—	—	Other financial liabilities
Interest rate risk				
Interest rate swaps	197,538	24	1,024	Other financial assets Other financial liabilities
Currency and interest rate risk				
Cross-currency interest rate swaps	16,470	—	1,486	Other financial liabilities

Changes in fair value used to measure hedge ineffectiveness are omitted because the amount of hedge ineffectiveness recognized in profit or loss was insignificant.

Amounts related to items designated as hedged items are presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
	Cash flow hedge reserve	Cash flow hedge reserve	Cash flow hedge reserve
Cash flow hedges			
Currency risk			
Planned purchases	(8)	10	87
Commodity price risk			
Planned purchases	(172)	—	—
Interest rate risk			
Interest payable on borrowings	(134)	(110)	(-1,000)
Currency and interest rate risk			
Foreign currency borrowings and interest payable thereon	1	1	5

Changes in fair value used to measure hedge ineffectiveness are omitted because the amount of hedge ineffectiveness recognized in profit or loss was insignificant.

The effects of applying hedge accounting on the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income are presented below.

For the fiscal year ended December 31, 2018

	(Millions of yen)		
	Changes in hedging instruments' fair value recognized in other comprehensive income	Reclassification adjustments from cash flow hedge reserve to profit or loss	Consolidated Statement of Profit or Loss accounts that include gains or losses due to reclassification adjustments
Cash flow hedges			
Currency risk – Currency forwards	(8)	(15)	Finance costs
Commodity price risk – Commodity futures	(135)	(20)	Finance costs
Interest rate risk – Interest rate swaps	204	(86)	Finance costs
Currency and interest rate risk – Cross-currency interest rate swaps	183	(167)	Finance costs

(Note) The above are amounts before tax effects.

For the fiscal year ended December 31, 2019

(Millions of yen)

	Changes in hedging instruments' fair value recognized in other comprehensive income	Reclassification adjustments from cash flow hedge reserve to profit or loss	Consolidated Statement of Profit or Loss accounts that include gains or losses due to reclassification adjustments
Cash flow hedges			
Currency risk – Currency forwards	(19)	37	Finance costs
Commodity price risk – Commodity futures	721	(549)	Finance costs
Interest rate risk – Interest rate swaps	15	9	Finance costs
Currency and interest rate risk – Cross-currency interest rate swaps	(1)	–	Finance costs

For the fiscal year ended December 31, 2019

(Thousands of U.S. dollars)

	Changes in hedging instruments' fair value recognized in other comprehensive income	Reclassification adjustments from cash flow hedge reserve to profit or loss	Consolidated Statement of Profit or Loss accounts that include gains or losses due to reclassification adjustments
Cash flow hedges			
Currency risk – Currency forwards	(171)	333	Finance costs
Commodity price risk – Commodity futures	6,579	(5,009)	Finance costs
Interest rate risk – Interest rate swaps	140	86	Finance costs
Currency and interest rate risk – Cross-currency interest rate swaps	(6)	–	Finance costs

(Note) The above are amounts before tax effects.

ii) Derivatives not subject to hedge accounting

Details of derivatives are presented below.

As of	(Millions of yen)						(Thousands of U.S. dollars)		
	December 31, 2018			December 31, 2019			December 31, 2019		
	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value
Currency forwards	3,693	–	99	3,013	–	(2)	27,500	–	(15)
Commodity options	170	–	(76)	–	–	–	–	–	–
Total	3,863	–	23	3,013	–	(2)	27,500	–	(15)

37. Subsidiaries

The status of major subsidiaries at December 31, 2019 is presented below.

Name	Location	Capital (Millions of yen)	Main business	Ownership of voting rights (%)	Relationship		
					Interlocking officer(s)	Financial support	Other business transaction
(Subsidiaries)							
Sapporo Breweries Limited	Shibuya-ku, Tokyo	10,000	Alcoholic Beverages	100.0	None	Yes	Contribution for the Group management, etc.
POKKA SAPPORO Food & Beverage Ltd.	Naka-ku, Nagoya	5,432	Food & Soft Drinks	100.0	None	Yes	Contribution for the Group management, etc.
Sapporo Lion Limited	Shibuya-ku, Tokyo	4,878	Alcoholic Beverages	100.0	None	None	Contribution for the Group management, etc.
Sapporo Real Estate Co., Ltd.	Shibuya-ku, Tokyo	2,080	Real Estate	100.0	Yes	Yes	Contribution for the Group management, etc.
Sapporo Group Management Ltd.	Shibuya-ku, Tokyo	25	Other	100.0	None	Yes	Undertaking of back-office operations Facilities leasing
Yebisu Winemart Co., Ltd.	Shibuya-ku, Tokyo	100	Alcoholic Beverages	100.0 (100.0)	None	None	—
POKKA CREATE CO., LTD.	Chiyoda-ku, Tokyo	100	Food & Soft Drinks	100.0 (100.0)	None	Yes	—
Foremost Blue Seal, Ltd.	Urasoe-shi, Okinawa	100	Food & Soft Drinks	99.8 (99.8)	None	None	—
TOKYO ENERGY SERVICE CO., LTD.	Shibuya-ku, Tokyo	490	Real Estate	100.0 (100.0)	None	None	—
Shinsyu-ichi Miso Co., Ltd.	Higashikurume-shi, Tokyo	72	Food & Soft Drinks	51.0	Yes	Yes	—
SAPPORO WELLNESS LAB LIMITED	Shibuya-ku, Tokyo	10	Other	100.0	Yes	Yes	—
SAPPORO U.S.A., INC.	New York, New York, USA	7,200 thousand USD	Alcoholic Beverages	100.0	None	None	—
Anchor Brewing Company, LLC	San Francisco, California, USA	105,676 thousand USD	Alcoholic Beverages	100.0 (100.0)	None	None	—
SAPPORO CANADA INC.	Toronto, Ontario, Canada	299,000 thousand CAD	Alcoholic Beverages	100.0	None	None	—
SLEEMAN BREWERIES LTD.	Guelph, Ontario, Canada	50,634 thousand CAD	Alcoholic Beverages	100.0 (100.0)	None	None	—
SAPPORO ASIA PRIVATE LTD.	Singapore	97,445 thousand USD	Alcoholic Beverages	100.0 (100.0)	None	None	—
SAPPORO VIETNAM LTD.	Long An, Vietnam	1,912,795 million VND	Alcoholic Beverages	100.0 (100.0)	None	None	—
POKKA CORPORATION (SINGAPORE) PTE. LTD.	Singapore	27 million SGD	Food & Soft Drinks	100.0 (100.0)	None	Yes	—
POKKA INTERNATIONAL PTE. LTD.	Singapore	5 million SGD	Food & Soft Drinks	100.0 (100.0)	None	None	—
POKKA ACE (MALAYSIA) SDN. BHD.	Selangor, Malaysia	27 million MYR	Food & Soft Drinks	50.0 (50.0)	None	None	—

Name	Location	Capital (Millions of yen)	Main business	Ownership of voting rights (%)	Relationship		
					Interlocking officer(s)	Financial support	Other business transaction
POKKA (MALAYSIA) SDN. BHD.	Johor, Malaysia	60 million MYR	Food & Soft Drinks	100.0 (100.0)	None	None	—
SAPPORO LION (SINGAPORE) PTE. LTD.	Singapore	4 million SGD	Alcoholic Beverages	100.0 (100.0)	None	None	—
Other 35 companies	—	—	—	—	—	—	—

Name	Location	Capital (Millions of yen)	Main business	Ownership of voting rights (%)	Relationship		
					Interlocking officer(s)	Financial support	Other business transaction
(Associates) KEIYO UTILITY CO., LTD.	Funabashi-shi, Chiba	600	Alcoholic Beverages	20.0 (20.0)	None	None	—
THE CLUB AT YEBISU GARDEN CO., LTD.	Meguro-ku, Tokyo	200	Real Estate	30.0 (30.0)	None	None	—
Other six companies	—	—	—	—	—	—	—

- (Notes) 1 Segment names are shown in the “main business” column.
- 2 Figures in parentheses in the “ownership of voting rights” column indicate the indirect ownership included in the above figure.
- 3 Sapporo Breweries Limited, POKKA SAPPORO Food & Beverage Ltd., Sapporo Real Estate Co., Ltd., Sapporo Group Management Ltd., and SAPPORO CANADA INC. are specified subsidiaries.
- 4 POKKA CORPORATION (SINGAPORE) PTE. LTD. absorbed POKKA INTERNATIONAL PTE. LTD. on January 1, 2020 and changed its name to Pokka Pte. Ltd.
- 5 Revenue (excluding intercompany revenue) of Sapporo Breweries Limited and POKKA SAPPORO Food & Beverage Ltd. accounts for more than 10% of consolidated revenue. Their key financial information (in accordance with Japanese GAAP) is presented below.

Key profit or loss information	Sapporo Breweries Limited	POKKA SAPPORO Food & Beverage Ltd.
(1) Net sales	247,896 million yen	79,488 million yen
(2) Ordinary profit	5,930 million yen	(3,057) million yen
(3) Profit	5,088 million yen	(2,555) million yen
(4) Net assets	53,134 million yen	22,466 million yen
(5) Total assets	212,591 million yen	66,775 million yen

38. Related Parties

(1) Related party transactions

No significant related party transactions.

(2) Key executives' remuneration

The Group's key executives' remuneration is presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Short-term employee benefits	284	273	2,496

39. Commitments

Commitments pertaining to expenditures subsequent to the reporting date are presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Acquisition of property, plant and equipment	3,960	4,475	40,851
Acquisition of investment property (Note)	4,127	1,340	12,236
Acquisition of intangible assets	269	328	2,995

(Note) The investment property acquisition commitments will become contractual liabilities related to maintaining or developing investment property.

40. Discontinued Operations

(1) Overview of discontinued operations

During the fiscal year ended December 31, 2019, the Group transferred all the shares in Country Pure Foods, Inc. (the holding company managing the North American soft drinks business, which falls under the “Food & Soft Drinks Business” segment) held by the Company to BPCP CPF Holdings Inc.

Accordingly, the profit or loss and cash flows related to the North American soft drinks business have been presented as discontinued operations.

(2) Profit or loss from discontinued operations

Profit or loss from discontinued operations	(Millions of yen)		(Thousands of U.S. dollars)
	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2019
Revenue	27,948	29,035	265,037
Cost of sales	26,579	26,604	242,845
Gross profit	1,369	2,431	22,193
Selling, general and administrative expenses	2,119	1,988	18,143
Other non-operating expenses	10	5,162	47,117
Operating loss	(760)	(4,718)	(43,067)
Finance costs	377	384	3,505
Loss before tax	(1,137)	(5,102)	(46,572)
Income tax expense (Note 2)	(251)	(1,593)	(14,541)
Loss from discontinued operations	(886)	(3,509)	(32,031)
Loss from discontinued operations attributable to			
Owners of parent	(401)	(3,386)	(30,904)
Non-controlling interests	(484)	(123)	(1,127)
Loss from discontinued operations	(886)	(3,509)	(32,031)

(Notes) 1 Includes loss on sale due to the transfer of Country Pure Foods, Inc. of 4,886 million yen (44,602 thousand U.S. dollars) for the fiscal year ended December 31, 2019.

2 Includes income tax expense related to the transfer of Country Pure Foods, Inc. of (1,563) million yen ((14,269) thousand U.S. dollars) for the fiscal year ended December 31, 2019.

(3) Cash flows from discontinued operations

Cash flows from discontinued operations	(Millions of yen)		(Thousands of U.S. dollars)
	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2019
Net cash provided by (used in) operating activities	1,648	2,057	18,774
Net cash provided by (used in) investing activities	(1,436)	599	5,466
Net cash provided by (used in) financing activities	(747)	476	4,346

(Note) Net cash provided by investing activities for the fiscal year ended December 31, 2019 includes proceeds from sale of shares in Country Pure Foods, Inc. of 1,798 million yen (16,414 thousand U.S. dollars).

41. Contingent Liabilities

(1) Guarantee liabilities

Guarantees of ordinary customers or suppliers' borrowings from financial institutions are presented below.

As of	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2018	December 31, 2019	December 31, 2019
Ordinary customers/suppliers	100	83	755
Employees (home acquisition funding)	195	155	1,415
Total	295	238	2,171

(2) Litigation matters

Not applicable.

42. Significant Events after Reporting Period

Implementation of early retirement incentive program

At the Board of Directors meeting held on February 13, 2020, the Company resolved to implement an early retirement incentive program for employees of Sapporo Breweries Limited, the operating company in charge of the Alcoholic Beverages Business segment in the Group.

(Reason for implementation of early retirement incentive program)

In order to achieve the "Group Management Plan 2024," the Group will, in line with the basic policies (e.g., strengthening of the beer business, shift to growth fields such as food, and acceleration of global expansion), work to optimize the allocation of human resources. At this major turning point, the Group will implement the early retirement incentive program, as an option for employees who may be interested in a new career outside Sapporo Breweries, by expanding the current second career assistance program.

(Overview of early retirement incentive program)

(1) Eligibility criteria: Employees who have worked at Sapporo Breweries for ten years or more and are 45 years of age or older (employees in charge of certain duties are not eligible for this program)

(2) Target total number of applicants: Not set.

(3) Application period:

i) First round: May 1, 2020 to July 10, 2020

ii) Second round: October 1, 2020 to December 10, 2020

At the Board of Directors meeting held on March 27, 2020, the Company changed the first round from the period between April 1, 2020 and June 10, 2020 to the period between May 1, 2020 and July 10, 2020.

(4) Effective date of retirement:

i) First round: November 20, 2020

ii) Second round: May 20, 2021

(5) Details of assistance to be provided

A second career assistance grant will be added on to the retirement benefits of participants in this program, and reemployment assistance services will be provided to them.

(Effect on operating results)

As the application period has not yet commenced, any losses including the second career assistance grant are yet to be determined.

(2) Other information

Quarterly information in the fiscal year ended December 31, 2019, and other information

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Full year
Revenue (Millions of yen)	100,958	228,207	361,015	491,896
Profit (loss) before tax (Millions of yen)	(4,494)	(335)	7,000	11,588
Profit (loss) attributable to owners of parent (Millions of yen)	(3,590)	(810)	4,560	4,356
Basic earnings (loss) per share (Yen)	(46.09)	(10.41)	58.55	55.92

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings (loss) per share (Yen)	(46.09)	35.68	68.94	(2.62)

Quarterly information in the fiscal year ended December 31, 2019, and other information

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Full year
Revenue (Thousands of U.S. dollars)	921,575	2,083,132	3,295,440	4,490,148
Profit (loss) before tax (Thousands of U.S. dollars)	(41,020)	(3,060)	63,895	105,781
Profit (loss) attributable to owners of parent (Thousands of U.S. dollars)	(32,767)	(7,398)	41,626	39,763
Basic earnings (loss) per share (U.S. dollars)	(421)	(95)	534	510

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings (loss) per share (U.S. dollars)	(421)	326	629	(24)