

Financial Statements

SAPPORO HOLDINGS LIMITED

*Year ended December 31, 2018
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, 2018, 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, 2018, 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 28, 2019
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)
		January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Assets					
Current assets					
Cash and cash equivalents	8	10,476	12,537	9,989	90,063
Trade and other receivables	9	96,574	98,325	93,340	841,587
Inventories	11	37,619	37,873	37,109	334,589
Other financial assets	10	9,967	9,107	4,790	43,188
Other current assets	12	7,386	6,914	8,316	74,977
Subtotal		162,022	164,755	153,544	1,384,404
Assets held for sale	13	359	—	—	—
Total current assets		162,381	164,755	153,544	1,384,404
Non-current assets					
Property, plant and equipment	14	151,602	151,334	152,676	1,376,578
Investment property	16	223,595	219,658	215,522	1,943,218
Goodwill	15	21,483	24,942	21,229	191,405
Intangible assets	15	10,305	13,339	12,056	108,700
Investments accounted for using equity method		372	391	410	3,700
Other financial assets	10	79,278	78,677	70,205	632,987
Other non-current assets	12	8,921	9,309	8,526	76,877
Deferred tax assets	19	2,176	2,326	5,523	49,801
Total non-current assets		497,733	499,976	486,148	4,383,266
Total assets		660,114	664,731	639,692	5,767,670

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)
		January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Liabilities and equity					
Liabilities					
Current liabilities					
Trade and other payables	22	38,460	36,488	35,292	318,203
Bonds and borrowings	20	75,580	80,716	73,863	665,976
Lease liabilities	21	6,609	6,533	6,743	60,798
Income taxes payable		1,570	5,207	1,527	13,764
Other financial liabilities	24	33,108	33,277	33,905	305,703
Other current liabilities	25	66,424	66,590	63,260	570,376
Total current liabilities		221,750	228,809	214,591	1,934,820
Non-current liabilities					
Bonds and borrowings	20	165,235	153,184	154,483	1,392,868
Lease liabilities	21	24,623	24,295	24,495	220,856
Other financial liabilities	24	48,125	45,956	45,733	412,344
Retirement benefit liability	23	8,996	6,283	11,715	105,627
Other non-current liabilities	25	2,689	2,621	2,991	26,965
Deferred tax liabilities	19	26,455	27,872	20,950	188,889
Total non-current liabilities		276,122	260,212	260,367	2,347,548
Total liabilities		497,872	489,021	474,957	4,282,368
Equity					
Share capital		53,887	53,887	53,887	485,859
Capital surplus		40,706	40,825	40,998	369,653
Treasury shares		(1,796)	(1,807)	(1,822)	(16,425)
Retained earnings		36,315	44,491	46,065	415,335
Other components of equity		28,515	34,659	22,373	201,721
Total equity attributable to owners of parent		157,628	172,055	161,501	1,456,143
Non-controlling interests		4,613	3,655	3,234	29,159
Total equity		162,241	175,710	164,735	1,485,302
Total liabilities and equity		660,114	664,731	639,692	5,767,670

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, 2017	December 31, 2018	December 31, 2018
Revenue	6, 28	536,585	521,856	4,705,220
Cost of sales		373,148	362,210	3,265,800
Gross profit		163,437	159,646	1,439,420
Selling, general and administrative expenses		145,991	145,237	1,309,500
Other operating income	31	1,029	3,009	27,129
Other operating expenses	31	5,669	6,590	59,416
Operating profit	6	12,806	10,828	97,633
Finance income	32	1,338	1,139	10,271
Finance costs	32	2,626	2,494	22,489
Share of profit of investments accounted for using equity method	18	19	19	171
Profit before tax		11,538	9,492	85,586
Income tax expense	19	5,170	1,772	15,975
Profit		6,367	7,721	69,611
Profit attributable to				
Owners of parent		7,187	8,521	76,830
Non-controlling interests		(820)	(801)	(7,219)
Profit		6,367	7,721	69,611
Basic earnings per share (Yen or U.S. dollars)	35	92.27	109.40	0.99
Diluted earnings per share (Yen or U.S. dollars)	35	92.25	104.46	0.94

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, 2017	December 31, 2018	December 31, 2018
Profit		6,367	7,721	69,611
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	33	8,202	(9,201)	(82,963)
Remeasurements of defined benefit plans	33	537	(3,688)	(33,257)
Total of items that will not be reclassified to profit or loss		8,739	(12,890)	(116,220)
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	33	1,032	(2,765)	(24,928)
Effective portion of net change in fair value of cash flow hedges	33	114	(69)	(624)
Total of items that may be reclassified to profit or loss		1,146	(2,834)	(25,552)
Total other comprehensive income, net of tax		9,884	(15,724)	(141,772)
Comprehensive income		16,252	(8,003)	(72,161)
Comprehensive income attributable to				
Owners of parent		17,183	(6,987)	(63,000)
Non-controlling interests		(931)	(1,016)	(9,161)
Comprehensive income		16,252	(8,003)	(72,161)

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, 2017

(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, 2017		53,887	40,706	(1,796)	36,315	–	(317)	28,832	–	28,515
Profit					7,187					–
Other comprehensive income	33					1,137	126	8,195	537	9,996
Comprehensive income		–	–	–	7,187	1,137	126	8,195	537	9,996
Purchase of treasury shares	26			(17)						–
Disposal of treasury shares	26		1	6						–
Dividends	27				(2,888)					–
Share-based payment transactions	36		117							–
Transfer to retained earnings					3,876			(3,315)	(537)	(3,852)
Other										–
Total transactions with owners		–	118	(11)	989	–	–	(3,315)	(537)	(3,852)
Balance as of December 31, 2017		53,887	40,825	(1,807)	44,491	1,137	(191)	33,712	–	34,659

	Note	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2017		157,628	4,613	162,241
Profit		7,187	(820)	6,367
Other comprehensive income	33	9,996	(111)	9,884
Comprehensive income		17,183	(931)	16,252
Purchase of treasury shares	26	(17)	–	(17)
Disposal of treasury shares	26	7	–	7
Dividends	27	(2,888)	(20)	(2,907)
Share-based payment transactions	36	117	–	117
Transfer to retained earnings		24	(24)	–
Other		–	17	17
Total transactions with owners		(2,756)	(26)	(2,783)
Balance as of December 31, 2017		172,055	3,655	175,710

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

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	33					(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	26			(20)						—
Disposal of treasury shares	26		0	5						—
Issuance of convertible bonds with share acquisition rights			182							—
Dividends	27				(3,122)					—
Share-based payment transactions	36		(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	33	(15,508)	(215)	(15,724)
Comprehensive income		(6,987)	(1,016)	(8,003)
Purchase of treasury shares	26	(20)	—	(20)
Disposal of treasury shares	26	6	—	6
Issuance of convertible bonds with share acquisition rights		182	—	182
Dividends	27	(3,122)	(8)	(3,130)
Share-based payment transactions	36	(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, 2018

(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, 2018		485,859	368,090	(16,289)	401,143	10,256	(1,718)	303,959	–	312,497
Profit					76,830					
Other comprehensive income	33					(23,642)	22	(82,953)	(33,257)	(139,830)
Comprehensive income		–	–	–	76,830	(23,642)	22	(82,953)	(33,257)	(139,830)
Purchase of treasury shares	26			(185)						–
Disposal of treasury shares	26		3	49						–
Issuance of convertible bonds with share acquisition rights			1,645							–
Dividends	27				(28,146)					–
Share-based payment transactions	36		(86)							–
Transfer to retained earnings					(34,492)			(4,202)	33,257	29,054
Total transactions with owners		–	1,563	(136)	(62,638)	–	–	(4,202)	33,257	29,054
Balance as of December 31, 2018		485,859	369,653	(16,425)	415,335	(13,386)	(1,696)	216,804	–	201,721

	Note	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2018		1,551,300	32,959	1,584,259
Profit		76,830	(7,219)	69,611
Other comprehensive income	33	(139,830)	(1,942)	(141,772)
Comprehensive income		(63,000)	(9,161)	(72,161)
Purchase of treasury shares	26	(185)	–	(185)
Disposal of treasury shares	26	52	–	52
Issuance of convertible bonds with share acquisition rights		1,645	–	1,645
Dividends	27	(28,146)	(76)	(28,222)
Share-based payment transactions	36	(86)	–	(86)
Transfer to retained earnings		(5,438)	5,438	–
Total transactions with owners		(32,157)	5,361	(26,795)
Balance as of December 31, 2018		1,456,143	29,159	1,485,302

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, 2017	December 31, 2018	December 31, 2018
Cash flows from operating activities				
Profit before tax		11,538	9,492	85,586
Depreciation and amortization		29,569	28,512	257,074
Impairment losses		3,810	5,430	48,962
Interest and dividend income		(1,330)	(1,123)	(10,127)
Interest expenses		2,397	2,368	21,351
Share of loss (profit) of investments accounted for using equity method		(19)	(19)	(171)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets		719	(659)	(5,942)
Decrease (increase) in trade and other receivables		(1,136)	4,209	37,952
Decrease (increase) in inventories		333	70	635
Increase (decrease) in trade and other payables		(2,337)	(830)	(7,479)
Increase (decrease) in accrued alcohol tax		132	(1,950)	(17,583)
Other		(4,253)	(2,968)	(26,762)
Subtotal		39,422	42,533	383,495
Interest and dividends received		1,383	1,150	10,368
Interest paid		(2,315)	(2,197)	(19,809)
Income taxes paid		(4,696)	(10,657)	(96,085)
Net cash provided by (used in) operating activities		33,794	30,830	277,970
Cash flows from investing activities				
Purchase of property, plant and equipment		(10,598)	(13,581)	(122,446)
Proceeds from sale of property, plant and equipment		3,086	1,729	15,590
Purchase of investment property		(2,499)	(4,712)	(42,489)
Purchase of intangible assets		(2,197)	(2,220)	(20,017)
Purchase of investment securities		(1,020)	(6,345)	(57,206)
Proceeds from sale of investment securities		8,278	1,455	13,119
Purchase of investments in subsidiaries resulting in change in scope of consolidation	34	(11,623)	—	—
Purchase of trust beneficiary right (investment property)		—	(2,523)	(22,748)
Proceeds from sale of trust beneficiary right (investment property)		—	7,239	65,268
Payments for loans receivable		(68)	(139)	(1,253)
Collection of loans receivable		4,267	4,081	36,799
Other		(5,499)	(3,712)	(33,464)
Net cash provided by (used in) investing activities		(17,873)	(18,727)	(168,848)

For the fiscal year ended	Note	(Millions of yen)		(Thousands of U.S. dollars)
		December 31, 2017	December 31, 2018	December 31, 2018
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	34	(3,076)	(264)	(2,383)
Net increase (decrease) in commercial papers	34	(1,000)	(3,500)	(31,557)
Proceeds from long-term borrowings	34	12,500	12,000	108,196
Repayments of long-term borrowings	34	(12,603)	(22,524)	(203,079)
Proceeds from issuance of bonds	34	9,960	20,021	180,514
Redemption of bonds	34	(10,083)	(10,068)	(90,778)
Dividends paid		(2,913)	(3,133)	(28,249)
Repayments of lease liabilities	34	(6,686)	(7,038)	(63,455)
Purchase of treasury shares		(17)	(20)	(185)
Other		7	6	52
Net cash provided by (used in) financing activities		(13,911)	(14,521)	(130,924)
Effect of exchange rate changes on cash and cash equivalents		51	(130)	(1,170)
Net increase (decrease) in cash and cash equivalents		2,061	(2,548)	(22,973)
Cash and cash equivalents at beginning of period	8	10,476	12,537	113,035
Cash and cash equivalents at end of period	8	12,537	9,989	90,063

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, 2018, 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) published by the International Accounting Standards Board. 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.

The Group first adopted IFRS from the fiscal year that began on January 1, 2018. Its date of transition to IFRS is January 1, 2017 (the “Transition Date”). The impact of transition to IFRS on the Group’s financial position, operating results and cash flows on the Transition Date and in the comparable year is disclosed below in “43. First-time Adoption.”

(2) Approval of financial statements

The Group’s consolidated financial statements presented herein were approved by the Company’s Board of Directors on March 28, 2019.

(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, 2018 have been translated from Japanese yen amounts into U.S. dollar amounts at the rate of ¥110.91=U.S. \$1.00, the exchange rate as of December 31, 2018.

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, 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 acquisition. 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	2-23 years
Other	2-32 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

The Group has early adopted IFRS 16.

(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 measureable 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

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.

(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

Of the standards and interpretations newly established or revised by the date the consolidated financial statements were authorized for issuance, those not early applied by the Group 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.

Accordingly, the Company's 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 five businesses: "Japanese Alcoholic Beverages Business," "International Business," "Food & Soft Drinks Business," "Restaurants Business," and "Real Estate Business."

The "Japanese Alcoholic Beverages Business" segment manufactures and sells alcoholic beverages in Japan. The "International Business" segment manufactures and sells alcoholic beverages and soft drinks outside Japan. The "Food & Soft Drinks Business" segment manufactures and sells food and soft drinks. The "Restaurants Business" segment operates various styles of restaurants. The "Real Estate Business" segment's activities include leasing of real estate.

In conjunction with a reorganization effective January 1, 2018, Sapporo International Inc.'s export business, previously part of the "International Business" segment, has been transferred to Sapporo Breweries Ltd. in the "Japanese Alcoholic Beverages Business" segment. Segment information for the fiscal year ended December 31, 2017, was prepared based on the revised segmentation.

(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, 2017

(Millions of yen)

	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Other	Total	Adjustment	Consolidated
Revenue									
Revenue from external customers	261,489	78,626	132,092	28,639	23,893	11,846	536,585	—	536,585
Intersegment revenue	3,381	108	282	1	2,670	21,002	27,445	(27,445)	—
Total	264,870	78,735	132,374	28,640	26,563	32,848	564,030	(27,445)	536,585
Operating profit (loss)	10,038	(2,728)	2,430	(515)	10,271	(137)	19,359	(6,553)	12,806
Other items									
Depreciation and amortization	9,276	3,908	6,812	2,717	5,050	100	27,865	1,704	29,569
Impairment losses	—	2,686	362	655	—	165	3,868	(58)	3,810
Share of profit of investments accounted for using equity method	19	—	—	—	1	—	19	—	19

For the fiscal year ended December 31, 2018

(Millions of yen)

	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Other	Total	Adjustment	Consolidated
Revenue									
Revenue from external customers	250,867	79,521	127,219	27,569	24,483	12,198	521,856	—	521,856
Intersegment revenue	3,011	500	276	1	2,824	21,169	27,781	(27,781)	—
Total	253,878	80,021	127,494	27,570	27,307	33,368	549,637	(27,781)	521,856
Operating profit (loss)	6,711	(3,397)	2,027	(169)	12,047	59	17,279	(6,451)	10,828
Other items									
Depreciation and amortization	8,841	3,839	6,617	2,423	5,177	101	26,998	1,514	28,512
Impairment losses	227	4,397	450	488	—	—	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, 2018

(Thousands of U.S. dollars)

	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Other	Total	Adjustment	Consolidated
Revenue									
Revenue from external customers	2,261,895	716,986	1,147,043	248,570	220,743	109,982	4,705,220	–	4,705,220
Intersegment revenue	27,147	4,505	2,485	11	25,463	190,871	250,482	(250,482)	–
Total	2,289,042	721,491	1,149,528	248,582	246,207	300,853	4,955,701	(250,482)	4,705,220
Operating profit (loss)	60,512	(30,628)	18,278	(1,522)	108,618	536	155,793	(58,160)	97,633
Other items									
Depreciation and amortization	79,709	34,617	59,661	21,851	46,674	908	243,419	13,654	257,074
Impairment losses	2,046	39,649	4,055	4,398	–	–	50,149	(1,187)	48,962
Share of profit of investments accounted for using equity method	168	–	–	–	4	–	171	–	171

“Other” is a business 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, 2017	December 31, 2018	December 31, 2018
Japan	433,914	419,662	3,783,810
North America	77,287	78,123	704,382
Other	25,384	24,071	217,027
Total	536,585	521,856	4,705,220

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

Non-current assets

As of	(Millions of yen)			(Thousands of U.S. dollars)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Japan	448,368	439,236	432,210	3,896,939
North America	37,824	51,166	44,782	403,767
Other	11,540	9,573	9,157	82,560
Total	497,733	499,976	486,148	4,383,266

(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, 2017	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2018
KOKUBU GROUP CORP.	Japanese Alcoholic Beverages, Food & Soft Drinks	72,127	61,682	556,142

7. Business Combinations

During the fiscal year ended December 31, 2017

Acquisition of equity in Anchor Brewing Company, LLC

(1) Overview of business combination

i) Name and business description of acquiree

Name: Anchor Brewing Company, LLC (and one other company)

Location: San Francisco, California, USA

Business description: Beer brewing and sales

ii) Primary reasons for business combination

In November 2016, the Group formulated the Sapporo Group Long-Term Management Vision “SPEED150” through 2026, marking its 150th anniversary of establishment. The “SPEED150” sets forth as 2026 Group Vision that the Sapporo Group will be a company with highly unique brands in the fields of “Alcoholic Beverages,” “Food,” and “Soft Drinks” around the world.

Among the three major strategic themes, as for “Promote Global Business Expansion,” a key driver for the Group’s growth strategy, the Group is promoting a unique plan that prioritizes expanding business in “North America,” the Group’s business platform, and booming “Southeast Asia.”

The Group expects further synergies from the equity acquisition that added the strong brand power of Anchor Brewing Company, LLC to the Group’s US beer business portfolio and accelerates the growth of the Group’s US business.

iii) Counterparty to share acquisition

Anchor Brewing Company, LLC

iv) Date of business combination

August 31, 2017

v) Legal form of business combination

Equity shares were acquired for a cash consideration.

vi) Name of acquiree after combination

No change.

vii) Percentage of equity shares acquired

100%

viii) Main basis for determining the acquirer

A consolidated subsidiary of the Company acquired the equity shares for a cash consideration.

(2) Consideration for acquisition

Consideration for the acquisition was 11,914 million yen, paid in cash.

(3) Assets acquired and liabilities assumed

The acquisition-date fair values of assets acquired and liabilities assumed are presented below.

	Amount (Millions of yen)
Fair value of assets acquired and liabilities assumed	
Current assets	1,126
Cash and cash equivalents	232
Trade and other receivables	382
Non-current assets	8,035
Property, plant and equipment	3,942
Intangible assets	4,034
Current liabilities	778
Non-current liabilities	2
Fair value of assets acquired and liabilities assumed, net	8,381
Goodwill	3,533

The goodwill mainly reflects excess earnings power due to business merger synergies. The amount of goodwill is deductible for tax purposes.

(4) Acquisition-related costs

Acquisition-related costs were 404 million yen. They are included in “selling, general and administrative expenses” on the Consolidated Statement of Profit or Loss.

(5) Impact on the Group’s operating results

The Group’s Consolidated Statement of Profit or Loss includes 842 million yen of revenue generated and 207 million yen of loss incurred by Anchor Brewing Company, LLC from the acquisition date through December 31, 2017.

If the business combination had hypothetically occurred on January 1, 2017, the Group’s consolidated revenue and profit would have been 539,163 million yen and 6,241 million yen, respectively (unaudited information).

During the fiscal year ended December 31, 2018

The Group acquired trust beneficiary rights in investment and rental property. Details are disclosed under “16. Investment Property, (1) Changes in carrying amounts.”

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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Cash and deposits	10,589	12,718	10,971	98,918
Time deposits maturing over three months	(114)	(181)	(982)	(8,855)
Total	10,476	12,537	9,989	90,063

Cash outflow for leases is presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2017	December 31, 2018	December 31, 2018
Total cash outflow for leases	13,878	14,298	128,918

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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Notes and accounts receivable - trade	96,657	98,428	93,460	842,665
Allowance for doubtful accounts	(82)	(103)	(120)	(1,079)
Total	96,574	98,325	93,340	841,587

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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Stocks	67,856	71,818	59,483	536,314
Bonds	—	1,000	5,000	45,082
Derivative assets	3,158	823	217	1,960
Accounts receivable - other	3,938	3,978	3,821	34,455
Loans receivable	9,109	4,698	555	5,008
Guarantee deposits	6,201	5,892	5,985	53,961
Other	179	790	1,193	10,761
Allowance for doubtful accounts	(1,195)	(1,216)	(1,260)	(11,365)
Total	89,246	87,784	74,995	676,175

Current assets	9,967	9,107	4,790	43,188
Non-current assets	79,278	78,677	70,205	632,987
Total	89,246	87,784	74,995	676,175

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 January 1, 2017 (Transition Date)

(Millions of yen)

Issuer	Amount
Resorttrust, Inc.	7,233
Imperial Hotel, Ltd.	5,193
FUJIO FOOD SYSTEM Co., Ltd.	3,081
SHIBUYA CORPORATION	2,378
Keikyu Corporation	2,045
Mizuho Financial Group, Inc.	1,675
TAISEI CORPORATION	1,636
Dai Nippon Printing Co., Ltd.	1,596
Marubeni Corporation	1,547
PALACE HOTEL CO., LTD.	1,405

As of December 31, 2017

(Millions of yen)

Issuer	Amount
Resorttrust, Inc.	8,584
Imperial Hotel, Ltd.	5,475
FUJIO FOOD SYSTEM Co., Ltd.	4,752
SHIBUYA CORPORATION	3,269
PALACE HOTEL CO., LTD.	2,543
TAISEI CORPORATION	2,244
Marubeni Corporation	1,905
Dai Nippon Printing Co., Ltd.	1,736
Keikyu Corporation	1,634
Central Japan Railway Company	1,332

As of December 31, 2018

Issuer	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
FUJIO FOOD SYSTEM Co., Ltd.	5,582	50,332
Resorttrust, Inc.	5,400	48,685
Imperial Hotel, Ltd.	4,678	42,176
SHIBUYA CORPORATION	2,471	22,279
TAISEI CORPORATION	1,882	16,969
Marubeni Corporation	1,803	16,254
Dai Nippon Printing Co., Ltd.	1,587	14,309
Central Japan Railway Company	1,529	13,785
Rengo Co., Ltd.	1,389	12,525
Keikyu Corporation	1,356	12,225

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.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2017	December 31, 2018	December 31, 2018
Fair value	8,278	1,452	13,089
Cumulative gains (losses)	4,836	822	7,413

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

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2017	December 31, 2018	December 31, 2018
Derecognized financial assets	273	9	85
Financial assets held at fiscal year-end	889	968	8,731

11. Inventories

A breakdown of inventories is presented below.

As of	(Millions of yen)			(Thousands of U.S. dollars)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Merchandise and finished goods	21,238	22,476	22,876	206,260
Raw materials and supplies	16,381	15,397	14,233	128,329
Total	37,619	37,873	37,109	334,589

The amount of inventories recognized in cost of sales in the fiscal years ended December 31, 2017, and December 31, 2018, was 350,799 million yen and 340,196 million yen (3,067,319 thousand U.S. dollars), respectively.

The amount of inventory valuation losses recognized as an expense in the fiscal years ended December 31, 2017, and December 31, 2018, was 883 million yen and 1,069 million yen (9,636 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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Prepaid expenses	4,954	5,141	4,942	44,558
Income taxes receivable	798	410	2,236	20,156
Long-term prepaid expenses	5,098	5,619	4,530	40,841
Other investments	3,199	3,126	3,010	27,136
Other	2,258	1,927	2,125	19,163
Total	16,308	16,223	16,842	151,854

Current assets	7,386	6,914	8,316	74,977
Non-current assets	8,921	9,309	8,526	76,877
Total	16,308	16,223	16,842	151,854

13. Assets Held for Sale

A breakdown of assets held for sale and liabilities directly associated therewith is presented below.

As of	(Millions of yen)			(Thousands of U.S. dollars)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Property, plant and equipment	359	—	—	—
Total assets	359	—	—	—

The assets held for sale at the Transition Date were mainly land holdings of the Food & Soft Drinks Business segment. The Group decided to divest them to refocus its operations on selected business domains. The asset sales were completed in the fiscal year ended December 31, 2017.

14. 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, 2017 (Transition Date)	55,628	31,803	2,543	25,769	33,131	2,728	151,602
Acquisitions	583	904	169	7,127	–	10,293	19,076
Transfer from construction in progress	2,599	4,411	1,007	–	32	(8,049)	–
Acquisitions through business combinations	1,018	855	16	–	1,935	118	3,942
Depreciation	(4,037)	(6,237)	(893)	(6,833)	–	–	(18,001)
Impairment losses	(1,176)	(2,284)	(58)	(272)	(16)	–	(3,806)
Sales and disposals	(378)	(75)	(59)	(36)	(184)	–	(732)
Exchange differences on translation of foreign operations	97	388	16	106	(10)	(14)	583
Other changes	(8)	155	–	(522)	(38)	(919)	(1,332)
As of December 31, 2017	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

(Thousands of U.S. dollars)

Carrying amount	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
As of December 31, 2017	489,820	269,767	24,721	228,471	314,209	37,487	1,364,475
Acquisitions	8,551	12,066	1,835	77,156	–	136,522	236,130
Transfer from construction in progress	32,910	67,810	7,662	–	236	(108,618)	–
Depreciation	(35,362)	(51,668)	(7,849)	(58,513)	–	–	(153,392)
Impairment losses	(2,994)	(649)	(363)	(4,379)	(1,058)	–	(9,443)
Sales and disposals	(7,607)	(4,707)	(201)	(1,702)	(6,251)	–	(20,468)
Exchange differences on translation of foreign operations	(3,960)	(12,457)	(374)	(3,247)	(896)	(426)	(21,362)
Other changes	(359)	(131)	(321)	(10,092)	(1,895)	(6,564)	(19,361)
As of December 31, 2018	480,999	280,031	25,109	227,694	304,345	58,401	1,376,578

(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, 2017 (Transition Date)	178,698	227,264	15,363	34,895	34,091	2,728	493,040
As of December 31, 2017	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

(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, 2018	1,622,864	2,079,320	137,900	366,608	313,149	58,401	4,578,242

(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, 2017 (Transition Date)	123,070	195,461	12,819	9,127	960	–	341,437
As of December 31, 2017	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

(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, 2018	1,141,865	1,799,289	112,791	138,915	8,804	–	3,201,664

Depreciation of property, plant and equipment is mainly included in “cost of sales” and “selling, general and administrative expenses” 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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Right-of-use assets for which buildings and structures are the underlying asset	14,595	15,534	16,266	146,660
Right-of-use assets for which machinery and vehicles are the underlying asset	2,947	2,625	2,971	26,787
Right-of-use assets for which tools, furniture and fixtures are the underlying asset	6,567	5,589	4,833	43,579
Right-of-use assets for which land is the underlying asset	1,661	1,592	1,183	10,668
Total right-of-use assets	25,769	25,340	25,254	227,694

(3) Borrowing costs

In the fiscal year ended December 31, 2017, no borrowing costs were capitalized as part of the cost of a qualifying asset. In the fiscal year ended December 31, 2018, 12 million yen (109 thousand U.S. dollars) of borrowing costs were capitalized. The capitalization rate applied was 0.6%.

15. 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, 2017 (Transition Date)	21,483	4,052	3,638	2,615	31,788
Acquisitions	–	1,803	–	60	1,864
Acquisitions through business combinations	3,533	28	–	4,006	7,566
Amortization	–	(1,865)	(294)	(330)	(2,489)
Impairment losses	–	(0)	–	(4)	(5)
Sales and disposals	–	(154)	–	(115)	(269)
Exchange differences on translation of foreign operations	(73)	5	(111)	(16)	(195)
Other changes	–	(1)	(10)	33	22
As of December 31, 2017	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

(Thousands of U.S. dollars)

Carrying amount	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of December 31, 2017	224,887	34,872	29,063	56,336	345,158
Acquisitions	–	19,076	–	1,168	20,243
Amortization	–	(14,507)	(2,534)	(3,385)	(20,426)
Impairment losses	(31,205)	(25)	–	(8,288)	(39,518)
Sales and disposals	–	(126)	–	(1)	(127)
Exchange differences on translation of foreign operations	(2,277)	(101)	(561)	(1,280)	(4,219)
Other changes	–	16	–	(1,022)	(1,006)
As of December 31, 2018	191,405	39,204	25,969	43,527	300,105

(Millions of yen)

Cost	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of January 1, 2017 (Transition Date)	21,483	23,716	4,172	9,075	58,445
As of December 31, 2017	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

(Thousands of U.S. dollars)

Cost	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of December 31, 2018	222,610	216,403	35,800	110,747	585,559

(Millions of yen)

Accumulated amortization and impairment losses	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of January 1, 2017 (Transition Date)	–	19,664	534	6,460	26,657
As of December 31, 2017	–	19,725	824	6,889	27,438
As of December 31, 2018	3,461	19,653	1,090	7,455	31,660

(Thousands of U.S. dollars)

Accumulated amortization and impairment losses	Goodwill	Intangible assets			Total
		Software	Customer relationships	Other	
As of December 31, 2018	31,205	177,199	9,831	67,219	285,454

Internally generated intangible assets are mainly software. Their cost at January 1, 2017 (Transition Date), December 31, 2017, and December 31, 2018, was 11,874 million yen, 11,994 million yen and 12,358 million yen (111,422 thousand U.S. dollars), respectively and their accumulated amortization and impairment losses at January 1, 2017 (Transition Date), December 31, 2017, and December 31, 2018, totaled 10,664 million yen, 11,218 million yen and 11,621 million yen (104,778 thousand U.S. dollars), respectively.

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

Of the above intangible assets, those with indefinite useful lives had an aggregate carrying amount at January 1, 2017 (Transition Date), December 31, 2017, and December 31, 2018, of 824 million yen, 800 million yen and 785 million yen (7,075 thousand U.S. dollars), respectively. Said intangible assets are trademarks, most of which were recognized when the Group acquired a North American soft drink company. The Group deems the trademarks to be intangible assets with indefinite useful lives because they are basically perpetual as long as said company 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 at December 31, 2018, of the trademarks recognized in conjunction with Anchor Brewing Company’s acquisition was 2,864 million yen (25,821 thousand U.S. dollars) (December 31, 2017: 3,975 million yen). The carrying amount at December 31, 2018, of the customer relationships recognized in conjunction with the North American soft drink company’s acquisition was 2,880 million yen (25,969 thousand U.S. dollars) (January 1, 2017 (Transition Date): 3,638 million yen, December 31, 2017: 3,223 million yen).

The trademarks are being amortized using the straight-line method; their remaining amortization period is 31 years. The customer relationships are being amortized mainly using the straight-line method; their remaining amortization periods range from one to 19 years.

(3) Impairment test of intangible assets with indefinite useful lives

Major intangible assets with indefinite useful lives were tested for impairment as follows in 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 (7,000 thousand U.S. dollars) (January 1, 2017 (Transition Date): 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% discount rate (December 31, 2017: 9.5%). 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.

16. 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, 2017	During the fiscal year ended December 31, 2018	During the fiscal year ended December 31, 2018
Balance at beginning of period	223,595	219,658	1,980,503
Acquisitions	2,693	4,178	37,669
Acquisitions through business combination (Note)	–	2,520	22,721
Sales and disposals	(2,037)	(6,204)	(55,938)
Depreciation	(4,593)	(4,629)	(41,737)
Balance at end of period	219,658	215,522	1,943,218

(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 (22,721 thousand U.S. dollars). The consideration paid was 2,520 million yen (22,721 thousand U.S. dollars) 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, 2017	During the fiscal year ended December 31, 2018	During the fiscal year ended December 31, 2018
Balance at beginning of period	367,476	367,154	3,310,381
Balance at end of period	367,154	366,480	3,304,301

Accumulated depreciation and impairment losses	(Millions of yen)		(Thousands of U.S. dollars)
	During the fiscal year ended December 31, 2017	During the fiscal year ended December 31, 2018	During the fiscal year ended December 31, 2018
Balance at beginning of period	143,881	147,497	1,329,878
Balance at end of period	147,497	150,958	1,361,083

(2) Fair value

Investment property's fair value is presented below.

As of	(Millions of yen)			(Thousands of U.S. dollars)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Investment property	365,406	372,753	385,992	3,480,230

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, 2017, and December 31, 2018, are recognized in Level 3 of the fair value hierarchy.

The fair value hierarchy is disclosed under "37. 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, 2017	December 31, 2018	December 31, 2018
Rental income	22,647	23,174	208,947
Direct operating expenses	12,681	12,957	116,825

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

17. Impairment Losses

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

For the fiscal year ended December 31, 2017

Segment	Cash-generating unit	Impairment losses (Millions of yen)	Class of assets
International Business	Alcoholic Beverages (Japan & Asia)	2,686	Machinery and equipment and other

The carrying amount of beer brewing facilities owned by Sapporo Vietnam Ltd. was reduced to its recoverable amount because recovery of the investment in the facilities is no longer probable, largely as a result of a decrease in income. The impairment losses consisted of a 627 million yen impairment loss on buildings and structures, a 2,058 million yen impairment loss on machinery and vehicles and a 2 million yen impairment loss on tools, furniture and fixtures.

The recoverable amount was measured at 988 million yen based on fair value less costs of disposal.

Fair value was measured by multiplying replacement value by a liquidation value ratio. It is in Level 3 of the fair value hierarchy.

For the fiscal year ended December 31, 2018

Segment	Cash-generating unit	Impairment losses (Millions of yen)	Impairment losses (Thousands of U.S. dollars)	Class of assets
International Business	Alcoholic Beverages (North America)	4,377	39,466	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 (31,205 thousand U.S. dollars) impairment loss on goodwill and a 916 million yen (8,261 thousand U.S. dollars) impairment loss on intangible assets.

The recoverable amount was measured at 6,544 million yen (59,000 thousand U.S. dollars) 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.

(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 January 1, 2017 (Transition Date)	As of December 31, 2017	As of December 31, 2018	As of December 31, 2018
Alcoholic Beverages (North America)	6,784	10,366	6,728	60,659
Soft Drinks (North America)	4,111	3,989	3,913	35,281
Food & Soft Drinks (Japan & Asia)	10,208	10,208	10,208	92,040
Restaurants	380	380	380	3,424
Total	21,483	24,942	21,229	191,405

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, 2017: 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, 2017: 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.

Goodwill's carrying amount at December 31, 2017, included 3,542 million yen of goodwill recognized in conjunction with the acquisition of Anchor Brewing Company, LLC, a separate cash-generating unit. Said goodwill was measured at fair value less costs of disposal.

Fair value less costs of disposal was measured by estimating future cash flows based on an assumed growth rate of 2.5% and management-approved business plans prepared to reflect past experience and external information with planning horizons generally no longer than five years and then discounting the cash flows to present value using an adjusted discount rate based on weighted average cost of capital (8.0% discount rate in the fiscal year ended December 31, 2017).

The resultant fair value is in Level 3 of the fair value hierarchy.

Soft Drinks (North America)

Recoverable amounts were measured based on value in use.

Value in use was measured by discounting future cash flows at 10.0% (December 31, 2017: 9.5%). 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% (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 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.

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 5.8% (December 31, 2017: 5.6%). 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, 2017: 0%) as a practical expedient.

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.

18. Investments Accounted for Using Equity Method

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

As of	(Millions of yen)			(Thousands of U.S. dollars)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Carrying amount of investments in associates	372	391	410	3,700

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, 2017	December 31, 2018	December 31, 2018
Group's share of profit of associates accounted for using equity method	19	19	171
Total	19	19	171

19. 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, 2017

(Millions of yen)

	January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	December 31, 2017
Deferred tax assets					
Fixed assets	4,847	300	–	9	5,156
Retirement benefit liability	3,816	(506)	(239)	–	3,071
Accrued expenses	2,214	65	–	4	2,283
Gift coupon gains or losses	1,405	(161)	–	–	1,244
Tax loss carryforwards	692	112	–	129	933
Provision for bonuses	798	(7)	–	1	792
Marketable securities	47	(27)	–	–	20
Other	1,197	604	–	102	1,903
Total	15,016	380	(239)	245	15,402
Deferred tax liabilities					
Fixed assets	20,105	(1,828)	–	108	18,385
Valuation differences	11,360	–	3,602	12	14,974
Reserve for advanced depreciation of fixed assets	6,212	440	–	–	6,652
Other	1,617	(1,091)	71	340	937
Total	39,294	(2,479)	3,673	460	40,948
Net deferred tax assets (liabilities)	(24,278)	2,859	(3,912)	(215)	(25,546)

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	(545)	–	(1)	4,610
Retirement benefit liability	3,071	645	1,646	–	5,362
Accrued expenses	2,283	6	–	(6)	2,283
Gift coupon gains or losses	1,244	(134)	–	–	1,110
Tax loss carryforwards	933	77	–	(12)	998
Provision for bonuses	792	(279)	–	–	513
Marketable securities	20	2,961	–	–	2,981
Other	1,903	(89)	–	187	2,001
Total	15,402	2,642	1,646	168	19,860
Deferred tax liabilities					
Fixed assets	18,385	(35)	–	(313)	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	550	26	(372)	1,141
Total	40,948	(903)	(4,056)	(704)	35,286
Net deferred tax assets (liabilities)	(25,546)	3,545	5,702	2,449	(15,426)

For the fiscal year ended December 31, 2018

(Thousands of U.S. dollars)

	January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	December 31, 2018
Deferred tax assets					
Fixed assets	46,488	(4,914)	–	(9)	41,565
Retirement benefit liability	27,689	5,816	14,841	–	48,346
Accrued expenses	20,584	54	–	(54)	20,584
Gift coupon gains or losses	11,216	(1,208)	–	–	10,008
Tax loss carryforwards	8,412	694	–	(108)	8,998
Provision for bonuses	7,141	(2,516)	–	–	4,625
Marketable securities	180	26,697	–	–	26,878
Other	17,158	(802)	–	1,686	18,042
Total	138,869	23,821	14,841	1,515	179,064
Deferred tax liabilities					
Fixed assets	165,765	(316)	–	(2,822)	162,627
Valuation differences	135,010	–	(36,805)	(171)	98,034
Reserve for advanced depreciation of fixed assets	59,977	(12,785)	–	–	47,191
Other	8,448	4,959	234	(3,354)	10,288
Total	369,200	(8,142)	(36,570)	(6,347)	318,150
Net deferred tax assets (liabilities)	(230,331)	31,963	51,411	22,078	(139,086)

(Note) “Other” mainly includes 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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Deductible temporary differences	14,727	15,871	12,567	113,309
Tax loss carryforwards	2,708	3,260	3,810	34,349

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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
1st year	69	120	187	1,683
2nd year	144	165	497	4,484
3rd year	175	485	493	4,441
4th year	496	507	724	6,530
After 5th year	1,825	1,983	1,909	17,212
Total	2,708	3,260	3,810	34,349

(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 and interests in joint arrangements not recognized as deferred tax liabilities at January 1, 2017 (Transition Date), December 31, 2017 and December 31, 2018, were 45,773 million yen, 45,690 million yen and 54,080 million yen (487,607 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, 2017	December 31, 2018	December 31, 2018
Current income tax expense	8,030	5,317	47,937
Deferred income tax expense	(2,859)	(3,545)	(31,961)
Total	5,170	1,772	15,975

On December 22, 2017 (local time), the U.S. enacted a tax reform law lowering federal corporate tax rates effective from January 1, 2018. In conjunction with the law's enactment, US subsidiaries' deferred tax assets and deferred tax liabilities were measured using an effective statutory tax rate based on amended tax rates.

As a result, income tax expense in the fiscal year ended December 31, 2017, was 366 million yen lower than it otherwise would have been.

(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, 2017, and December 31, 2018, was 30.9%. 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, 2017	December 31, 2018
Effective statutory tax rate	30.9%	30.9%
Effect of nontaxable income and nondeductible expenses in determining taxable profit	7.1%	5.9%
Unrecognized deferred tax assets	8.0%	(28.3)%
Tax credits	(2.6)%	(3.7)%
Effect of changes in tax rates	(3.4)%	0.3%
Impairment of goodwill	—	10.2%
Overseas consolidated subsidiaries' tax rate differences	1.8%	2.9%
Income taxes for prior periods	1.7%	(0.6)%
Other	1.4%	1.2%
Actual tax rate	44.8%	18.7%

20. 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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Current portion of bonds payable	10,081	10,066	10,006	90,213
Bonds payable	49,967	49,905	59,826	539,414
Short-term borrowings	18,506	15,356	14,936	134,664
Commercial papers	33,000	32,000	28,500	256,965
Current portion of long-term borrowings	13,992	23,294	20,422	184,133
Long-term borrowings	115,268	103,279	94,657	853,454
Total	240,815	233,900	228,346	2,058,844

Current liabilities	75,580	80,716	73,863	665,976
Non-current liabilities	165,235	153,184	154,483	1,392,868
Total	240,815	233,900	228,346	2,058,844

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

Short-term borrowings and long-term borrowings' average interest rates at January 1, 2017, (Transition Date) were 0.57% and 0.67%, respectively.

Short-term borrowings and long-term borrowings' average interest rates at December 31, 2017, were 0.79% and 0.70%, respectively.

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

Long-term borrowings' maturity dates range from 2019 to 2028.

(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)
						As of January 1, 2017 (Transition Date)	As of December 31, 2017	As of December 31, 2018	As of December 31, 2018
Sapporo Holdings Limited (the Company)	26th Series of Unsecured Straight Corporate Bonds	March 2, 2012	March 2, 2017	0.64	None	9,998 (9,998)	—	—	—
	27th Series of Unsecured Straight Corporate Bonds	March 14, 2013	March 14, 2018	0.39	None	9,987	9,998 (9,998)	—	—
	28th Series of Unsecured Straight Corporate Bonds	December 5, 2013	December 4, 2020	0.61	None	9,968	9,976	9,984	90,023
	29th Series of Unsecured Straight Corporate Bonds	September 12, 2014	September 12, 2019	0.31	None	9,970	9,981	9,992 (9,992)	90,094 (90,094)
	30th Series of Unsecured Straight Corporate Bonds	September 10, 2015	September 10, 2020	0.33	None	9,960	9,970	9,981	89,996
	31st Series of Unsecured Straight Corporate Bonds	March 22, 2016	March 22, 2021	0.25	None	9,953	9,964	9,975	89,942
	32nd Series of Unsecured Straight Corporate Bonds	June 1, 2017	June 1, 2022	0.15	None	—	9,952	9,963	89,826
	Euro-yen Convertible Bonds with Share Acquisition Rights due 2021	April 27, 2018	April 27, 2021	—	None	—	—	19,875	179,200
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	212 (83)	129 (68)	61 (13)	546 (119)
Total	—	—	—	—	—	60,049 (10,081)	59,971 (10,066)	69,832 (10,006)	629,628 (90,213)

(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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Land	2,051	2,051	2,051	18,490
Investment securities	7,498	8,693	7,490	67,532
Other	1,076	1,090	1,250	11,270
Total	10,625	11,833	10,791	97,292

Secured liabilities

As of	(Millions of yen)			(Thousands of U.S. dollars)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Short-term borrowings	5,902	5,610	5,430	48,959
Long-term borrowings	15,309	14,471	12,749	114,951
Total	21,211	20,081	18,179	163,910

In addition to the above, Pokka International Pte. Ltd.'s cash and deposits (27 million yen at January 1, 2017 (Transition Date); 28 million yen at December 31, 2017; 27 million yen (242 thousand U.S. dollars) at December 31, 2018) were pledged as collateral for a line of credit (871 million yen at January 1, 2017 (Transition Date); 913 million yen at December 31, 2017; 874 million yen (7,880 thousand U.S. dollars) at December 31, 2018). Short-term borrowings were outstanding under the line of credit (9 million yen at January 1, 2017 (Transition Date); 8 million yen at December 31, 2017; 4 million yen (33 thousand U.S. dollars) at December 31, 2018).

21. 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, 2017	December 31, 2018	December 31, 2018
Depreciation of right-of-use assets			
Right-of-use assets for which buildings and structures are the underlying asset	3,872	3,631	32,738
Right-of-use assets for which machinery and vehicles are the underlying asset	519	814	7,336
Right-of-use assets for which tools, furniture and fixtures are the underlying asset	2,285	2,023	18,242
Right-of-use assets for which land is the underlying asset	157	22	196
Total depreciation	6,833	6,490	58,513
Expense relating to short-term leases under recognition exemptions	1,697	1,708	15,401
Expense relating to leases of low-value assets under recognition exemptions	4,728	4,671	42,111
Expense relating to variable lease payments	767	882	7,951
Income from subleasing right-of-use assets	365	399	3,597

(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 restaurants or cafés 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, 2017

(Millions of yen)

	Fixed payments	Variable payments	Total payments
Sapporo Lion Ltd.	2,058	447	2,505
Pokka Create Co., Ltd.	1,358	152	1,510
Total	3,417	599	4,016

For the fiscal year ended December 31, 2018

(Millions of yen)

	Fixed payments	Variable payments	Total payments
Sapporo Lion Ltd.	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, 2018

(Thousands of U.S. dollars)

	Fixed payments	Variable payments	Total payments
Sapporo Lion Ltd.	16,817	4,205	21,023
Pokka Create Co., Ltd.	12,801	1,341	14,142
Total	29,618	5,546	35,164

(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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Amounts scheduled to be payable under residual value guarantees	1,645	1,759	1,669	15,044

(5) Sale and leaseback transactions (Lessee)

From the standpoint of effective utilization of assets held, the Group monetized land and buildings at its Japanese Alcoholic Beverages segment's Gunma Plant (Kizaki) site in the fiscal year ended December 31, 2018, by selling them and leasing

back a portion of the land for 10-50 years and the buildings for 10 years. The Group has no option to repurchase the assets at the end of the contractual leaseback term. The impact arising from the sale and leaseback transaction was insignificant.

(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, 2017	December 31, 2018	December 31, 2018
Finance income on net investments in leases	4	4	35
Income relating to variable lease payments	14	18	158

(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 January 1, 2017 (Transition Date)

(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	233	193	111	57	17	13	624
Lease payments	9,457	5,805	4,152	2,773	2,228	8,025	32,441

As of December 31, 2017

(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	286	158	71	30	6	12	564
Lease payments	10,839	8,942	4,517	3,095	2,619	9,714	39,725

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, 2018

(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	2,758	1,836	1,075	666	539	1,985	8,860
Lease payments	97,818	51,615	30,465	25,755	23,187	66,129	294,970

(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.

22. Trade and Other Payables

A breakdown of trade and other payables is presented below.

As of	(Millions of yen)			(Thousands of U.S. dollars)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Notes and accounts payable - trade	38,460	36,488	35,292	318,203

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

23. 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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Present value of defined benefit obligations	51,563	51,352	51,056	460,333
Fair value of plan assets	(42,567)	(45,069)	(39,340)	(354,706)
Net defined benefit liability	8,996	6,283	11,715	105,627

Retirement benefit asset	—	—	—	—
Retirement benefit liability	8,996	6,283	11,715	105,627
Net defined benefit liability	8,996	6,283	11,715	105,627

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, 2017	December 31, 2018	December 31, 2018
Current service cost	1,651	1,593	14,361
Interest expenses and interest income	25	33	298
Total	1,676	1,626	14,659

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, 2017	December 31, 2018	December 31, 2018
Balance at beginning of period	51,563	51,352	463,008
Current service cost	1,651	1,593	14,361
Interest expenses	197	334	3,011
Remeasurements	880	506	4,562
Actuarial gains and losses arising from changes in demographic assumptions	3,271	306	2,757
Actuarial gains and losses arising from changes in financial assumptions	(1,828)	103	930
Other	(564)	97	875
Benefits paid	(2,938)	(2,729)	(24,609)
Balance at end of period	51,352	51,056	460,333

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, 2017	December 31, 2018	December 31, 2018
Balance at beginning of period	42,567	45,069	406,357
Interest income	962	1,034	9,327
Remeasurements			
Return on plan assets	865	(6,229)	(56,166)
Company contributions	3,013	1,925	17,358
Benefits paid	(2,339)	(2,459)	(22,169)
Balance at end of period	45,069	39,340	354,706

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

As of	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018
Discount rate (%)	0.3 to 0.5%	0.5 to 0.7%	0.4 to 0.7%

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, 2017	December 31, 2018	December 31, 2018
Discount rate	0.5 percentage point increase	(3,063)	(3,042)	(27,425)
	0.5 percentage point decrease	3,339	3,315	29,888

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

As of January 1, 2017 (Transition Date)

(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	927	—	927
Equity instruments	11,853	—	11,853
Domestic stocks	4,184	—	4,184
Foreign stocks	7,668	—	7,668
Debt instruments	16,090	—	16,078
Domestic bonds	12,438	—	12,426
Foreign bonds	3,652	—	3,652
Life insurance general accounts	—	10,017	10,017
Other	—	3,693	3,693
Total	28,870	13,710	42,567

As of December 31, 2017

(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	412	—	412
Equity instruments	13,703	—	13,703
Domestic stocks	4,972	—	4,972
Foreign stocks	8,730	—	8,730
Debt instruments	16,932	—	16,932
Domestic bonds	13,326	—	13,326
Foreign bonds	3,605	—	3,605
Life insurance general accounts	—	10,595	10,595
Other	—	3,428	3,428
Total	31,046	14,023	45,069

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, 2018

(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 in an active market	Total
Cash and cash equivalents	8,913	—	8,913
Equity instruments	91,321	—	91,321
Domestic stocks	31,660	—	31,660
Foreign stocks	59,661	—	59,661
Debt instruments	140,529	—	140,529
Domestic bonds	114,660	—	114,660
Foreign bonds	25,869	—	25,869
Life insurance general accounts	—	87,336	87,336
Other	—	26,608	26,608
Total	240,762	113,944	354,706

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, 2019, the Group plans to contribute 1,851 million yen (16,693 thousand U.S. dollars) to the plans.

The weighted-average durations for the defined benefit obligations at January 1, 2017 (Transition Date), December 31, 2017, and December 31, 2018, were 10.2 to 14.8 years, 9.7 to 13.4 years and 9.1 to 13.5 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, 2017, and December 31, 2018, were 4,041 million yen and 3,963 million (35,733 thousand U.S. dollars), respectively.

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

24. Other Financial Liabilities

A breakdown of other financial liabilities is presented below.

As of	(Millions of yen)			(Thousands of U.S. dollars)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Derivative liabilities	539	511	650	5,861
Accounts payable - other	23,028	23,899	24,337	219,434
Deposits received	8,031	7,687	7,226	65,151
Guarantee deposits received	47,497	45,405	45,573	410,903
Other	2,139	1,732	1,852	16,698
Total	81,233	79,233	79,639	718,046

Current liabilities	33,108	33,277	33,905	305,703
Non-current liabilities	48,125	45,956	45,733	412,344
Total	81,233	79,233	79,639	718,046

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.

25. Other Liabilities

A breakdown of other liabilities is presented below.

As of	(Millions of yen)			(Thousands of U.S. dollars)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Accrued expenses	18,354	18,284	18,330	165,267
Accrued alcohol tax	34,228	34,408	32,363	291,798
Accrued consumption taxes	4,616	4,668	4,946	44,594
Employees' bonuses	2,980	3,090	2,180	19,658
Employee compensated absence liabilities, etc.	999	968	973	8,776
Other	7,934	7,793	7,458	67,248
Total	69,112	69,211	66,251	597,341

Current liabilities	66,424	66,590	63,260	570,376
Non-current liabilities	2,689	2,621	2,991	26,965
Total	69,112	69,211	66,251	597,341

26. Equity

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

(Thousands of shares)

For the fiscal year ended	December 31, 2017	December 31, 2018
Number of authorized shares	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 have 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, 2017	December 31, 2018
At beginning of period	899	902
Additions	5	8
Reductions	(2)	(2)
At end of period	902	908

The additions to treasury share holdings were odd-lot share purchases of 5,000 shares in the fiscal year ended December 31, 2017, and 8,000 shares in the fiscal year ended December 31, 2018. The reductions in treasury share holdings in the fiscal year ended December 31, 2017, consisted of odd-lot share sales of 1,000 shares and disposal of 2,000 shares in conjunction with rights exercised by the Board Benefit Trust (BBT). In the fiscal year ended December 31, 2018, the reductions consisted of odd-lot share sales of 1,000 shares and disposal of 1,000 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.

27. Dividends

Dividends paid are presented below.

For the fiscal year ended December 31, 2017

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 30, 2017	Ordinary shares	2,888	37.00	December 31, 2016	March 31, 2017

For the fiscal year ended December 31, 2018

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 29, 2018	Ordinary shares	3,122	28,146	40.00	0.36	December 31, 2017	March 30, 2018

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

For the fiscal year ended December 31, 2017

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, 2018

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	29,550	42.00	0.38	December 31, 2018	March 29, 2019

28. Revenue

(1) Disaggregation of revenue

i) Revenue recognized from contracts with customers and other sources

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2017	December 31, 2018	December 31, 2018
Revenue recognized from contracts with customers	513,041	497,713	4,487,537
Revenue recognized from other sources	23,545	24,143	217,683
Total	536,585	521,856	4,705,220

Revenue recognized from other sources is mostly rental income recognized pursuant to IFRS 16. Said rental income included 565 million yen and 570 million yen (5,137 thousand U.S. dollars) of income relating to variable lease payments in the fiscal years ended December 31, 2017, and December 31, 2018, respectively.

ii) Revenue disaggregated by geographical area and segment

For the fiscal year ended December 31, 2017

(Millions of yen)

	Japan	North America	Other	Total
Japanese Alcoholic Beverages Business	258,941	—	2,547	261,489
International Business	—	77,211	1,415	78,626
Food & Soft Drinks Business	111,803	59	20,231	132,092
Restaurants Business	27,655	—	984	28,639
Real Estate Business	23,893	—	—	23,893
Other	11,622	17	207	11,846
Total	433,914	77,287	25,384	536,585
Revenue recognized from contracts with customers	410,370	77,287	25,384	513,041
Revenue recognized from other sources	23,545	—	—	23,545

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, 2018

(Millions of yen)

	Japan	North America	Other	Total
Japanese Alcoholic Beverages Business	248,620	—	2,247	250,867
International Business	—	78,005	1,516	79,521
Food & Soft Drinks Business	107,600	81	19,538	127,219
Restaurants Business	26,996	—	573	27,569
Real Estate Business	24,483	—	—	24,483
Other	11,964	37	197	12,198
Total	419,662	78,123	24,071	521,856
Revenue recognized from contracts with customers	395,519	78,123	24,071	497,713
Revenue recognized from other sources	24,143	—	—	24,143

For the fiscal year ended December 31, 2018

(Thousands of U.S. dollars)

	Japan	North America	Other	Total
Japanese Alcoholic Beverages Business	2,241,636	–	20,258	2,261,895
International Business	–	703,318	13,668	716,986
Food & Soft Drinks Business	970,153	729	176,160	1,147,043
Restaurants Business	243,404	–	5,166	248,570
Real Estate Business	220,743	–	–	220,743
Other	107,873	335	1,775	109,982
Total	3,783,810	704,382	217,027	4,705,220
Revenue recognized from contracts with customers	3,566,127	704,382	217,027	4,487,537
Revenue recognized from other sources	217,683	–	–	217,683

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 Japanese Alcoholic Beverages Business, International Business, Food & Soft Drinks Business, Restaurants 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.

Japanese Alcoholic Beverages Business

In the Japanese Alcoholic Beverages Business segment, Sapporo Breweries Ltd. 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.

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.

International Business

In the International Business segment, Sapporo International Inc. operates in administrative and supervisory capacities as the segment's nucleus, 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.

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.

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. Overseas, Pokka Corporation (Singapore) PTE. LTD. manufactures and sells soft drinks and food in Singapore; Pokka Ace (Malaysia) Sdn. Bhd. and Pokka (Malaysia) Sdn. Bhd. manufacture and sell soft drinks and food in Malaysia; and PT. Pokka Dima International manufactures and sells soft drinks in Indonesia.

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.

Restaurants Business

In the Restaurants Business segment, Sapporo Lion Ltd. operates eating and drinking establishments in various formats, most notably the Lion chain of beer halls and restaurants. Overseas, Sapporo Lion (Singapore) Pte. Ltd. operates an eating and drinking establishment in Singapore

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.

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.

Other Business

In the Other Business segment, Shinsyu-ichi Miso Co., Ltd. manufactures and sells food.

The customers to which it sells food 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. Shinsyu-ichi Miso generally receives payment within three months of products' delivery, the point in time at which its performance obligations are satisfied.

The Japanese Alcoholic Beverages Business, International 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, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
Receivables from contracts with customers				
Notes and accounts receivable - trade	96,574	98,325	93,340	841,587
Total	96,574	98,325	93,340	841,587

(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 consideration 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.

29. 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, 2017	December 31, 2018	December 31, 2018
Wages and salaries	60,987	60,274	543,451
Social security expenses	7,641	7,627	68,768
Retirement benefit expenses	2,765	2,679	24,158
Total	71,392	70,581	636,377

30. Research and Development Expenditures

Research and development expenditures recognized as expenses in the fiscal years ended December 31, 2017, and December 31, 2018, were 2,791 million yen and 2,901 million yen (26,155 thousand U.S. dollars), respectively.

31. 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, 2017	December 31, 2018	December 31, 2018
Gain on sale of fixed assets	275	1,279	11,529
Valuation gain on exchange of production equipment	—	709	6,391
Other	755	1,021	9,210
Total	1,029	3,009	27,129

A breakdown of other operating expenses is presented below.

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2017	December 31, 2018	December 31, 2018
Loss on sale and retirement of property, plant and equipment, and intangible assets	994	620	5,587
Impairment losses	3,810	5,430	48,962
Compensation expenses	307	—	—
Other	558	540	4,868
Total	5,669	6,590	59,416

32. 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, 2017	December 31, 2018	December 31, 2018
Interest income			
Financial assets measured at amortized cost	168	145	1,311
Dividend income			
Financial assets measured at fair value through other comprehensive income	1,162	978	8,816
Other	8	16	145
Total	1,338	1,139	10,271

(2) Finance costs

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2017	December 31, 2018	December 31, 2018
Interest expenses			
Financial liabilities measured at amortized cost	1,750	1,716	15,475
Lease liabilities	646	652	5,877
Foreign exchange loss	87	126	1,138
Other	142	—	—
Total	2,626	2,494	22,489

33. 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, 2017	December 31, 2018	December 31, 2018
Financial assets measured at fair value through other comprehensive income			
Amount arising during period	11,804	(13,283)	(119,766)
Tax effect	(3,602)	4,082	36,803
Net amount	8,202	(9,201)	(82,963)
Remeasurements of defined benefit plans			
Amount arising during period	776	(5,334)	(48,097)
Tax effect	(239)	1,646	14,840
Net amount	537	(3,688)	(33,257)
Exchange differences on translation of foreign operations			
Amount arising during period	1,032	(2,765)	(24,928)
Reclassification adjustments	—	—	—
Tax effect	—	—	—
Net amount	1,032	(2,765)	(24,928)
Effective portion of net change in fair value of cash flow hedges			
Amount arising during period	159	244	2,204
Reclassification adjustments	26	(288)	(2,594)
Tax effect	(71)	(26)	(234)
Net amount	114	(69)	(624)
Total other comprehensive income	9,884	(15,724)	(141,772)

34. Cash Flows

(1) Changes in liabilities arising from financing activities

During the fiscal year ended December 31, 2017

(Millions of yen)

Item	January 1, 2017	Changes from financing cash flows	Non-cash changes				December 31, 2017
			Acquisition of right-of-use assets	Currency translation gains (losses)	Changes in fair values	Other	
Short-term borrowings	18,506	(3,076)	–	39	–	(113)	15,356
Commercial papers	33,000	(1,000)	–	–	–	–	32,000
Long-term borrowings (Note)	129,260	(103)	–	(2,697)	–	113	126,573
Bonds payable (Note)	60,049	(123)	–	–	–	45	59,971
Lease liabilities	31,231	(6,686)	7,127	121	–	(965)	30,828
Derivative liabilities (assets) held to hedge liabilities	(2,560)	–	–	–	1,749	–	(811)
Total	269,486	(10,989)	7,127	(2,538)	1,749	(920)	263,916

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

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

During the fiscal year ended December 31, 2018

(Thousands of U.S. dollars)

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	138,454	(2,383)	–	(1,407)	–	–	134,664
Commercial papers	288,522	(31,557)	–	–	–	–	256,965
Long-term borrowings (Note)	1,141,219	(94,883)	–	(8,749)	–	–	1,037,587
Bonds payable (Note)	540,717	89,736	–	–	–	(825)	629,628
Lease liabilities	277,952	(63,455)	77,156	(3,526)	–	(6,473)	281,654
Derivative liabilities (assets) held to hedge liabilities	(7,311)	–	–	–	8,439	–	1,129
Total	2,379,554	(102,543)	77,156	(13,683)	8,439	(7,298)	2,341,626

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

(2) Changes in ownership interests in subsidiaries

During the fiscal year ended December 31, 2017

The Group acquired Anchor Brewing Company, LLC. Details are disclosed under “7. Business Combinations, (3) Assets acquired and liabilities assumed.”

During the fiscal year ended December 31, 2018

The Group acquired trust beneficiary rights in investment and rental property. Details are disclosed under “16. Investment Property, (1) Changes in carrying amounts.”

35. 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, 2017	December 31, 2018	December 31, 2018
Profit attributable to owners of parent	7,187	8,521	76,830
Adjustment	—	13	118
Profit used to calculate diluted earnings per share	7,187	8,534	76,948

Weighted average number of ordinary shares outstanding during period (Thousands of shares)	77,894	77,891
Effects of dilutive potential ordinary shares (Thousands of shares)		
Convertible bonds with share acquisition rights	—	3,783
Board Benefit Trust (BBT)	12	25
Diluted weighted average number of ordinary shares outstanding during period (Thousands of shares)	77,906	81,699

	(Yen)		(U.S. dollars)
Basic earnings per share	92.27	109.40	0.99
Diluted earnings per share	92.25	104.46	0.94

(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 for calculating earnings per share for the fiscal years ended December 31, 2017 and 2018 was 150,253 shares and 148,386 shares, respectively.

36. Share-based Payment

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

Effective May 31, 2016, the Company adopted a Board Benefit Trust plan (the “BBT Plan”) as a compensation 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 compensation 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 compensation 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. Compensation 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, 2018 was 147,920 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, 2017	December 31, 2018	December 31, 2018
Total expenses recognized due to performance-based share-based compensation plan	120	3	29

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

37. 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 January 1, 2017 (Transition Date)	As of December 31, 2017	As of December 31, 2018
Net debt/equity ratio (Note)	1.7	1.5	1.5

(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 an amount based on 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, 2017	December 31, 2018	December 31, 2018
Balance at beginning of period	1,277	1,319	11,895
Increase during period	196	154	1,384
Decrease during period (utilization)	(82)	(106)	(956)
Decrease during period (reversal)	(79)	(83)	(750)
Other changes	6	97	870
Balance at end of period	1,319	1,380	12,443

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 January 1, 2017 (Transition Date)

(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	38,460	38,460	38,460	—	—	—	—	—
Short-term borrowings	18,506	18,506	18,506	—	—	—	—	—
Commercial papers	33,000	33,000	33,000	—	—	—	—	—
Long-term borrowings	129,260	129,477	13,993	23,492	20,518	19,732	17,468	34,274
Bonds payable	60,049	60,212	10,083	10,068	10,013	20,013	10,008	26
Lease liabilities	31,231	31,231	6,609	5,179	3,553	2,843	2,091	10,956
Accounts payable - other	23,028	23,028	22,579	179	124	80	49	17
Other (Note)	57,688	57,688	10,528	—	—	—	—	47,160
Derivative liabilities								
Commodity futures	2	2	2	—	—	—	—	—
Interest rate swaps	438	438	1	16	144	55	148	75
Cross-currency interest rate swaps	79	79	—	—	—	79	—	—

(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, 2017

(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	36,488	36,488	36,488	—	—	—	—	—
Short-term borrowings	15,356	15,356	15,356	—	—	—	—	—
Commercial papers	32,000	32,000	32,000	—	—	—	—	—
Long-term borrowings	126,573	126,764	23,297	20,455	19,400	19,543	14,540	29,528
Bonds payable	59,971	60,129	10,068	10,013	20,013	10,008	10,003	23
Lease liabilities	30,828	30,828	6,533	4,651	3,530	2,738	2,621	10,756
Accounts payable - other	23,899	23,899	23,456	194	142	77	29	0
Other (Note)	54,923	54,923	9,817	—	—	—	—	45,106
Derivative liabilities								
Commodity futures	17	17	17	—	—	—	—	—
Interest rate swaps	293	293	3	78	36	115	60	—
Cross-currency interest rate swaps	119	119	—	—	119	—	—	—

(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, 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	—	—	—	—

As of December 31, 2018

(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	318,203	318,203	318,203	—	—	—	—	—
Short-term borrowings	134,664	134,664	134,664	—	—	—	—	—
Commercial papers	256,965	256,965	256,965	—	—	—	—	—
Long-term borrowings	1,037,587	1,039,008	184,148	182,172	176,170	131,101	194,055	171,362
Bonds payable	629,628	631,689	90,282	180,445	270,564	90,192	206	—
Lease liabilities	281,654	281,654	60,798	42,015	31,558	29,203	15,453	102,626
Accounts payable - other	219,434	219,434	216,374	1,508	933	510	109	—
Other (Note)	495,497	495,497	89,170	—	—	—	—	406,327
Derivative liabilities								
Currency forwards	75	75	75	—	—	—	—	—
Commodity futures	1,550	1,550	1,550	—	—	—	—	—
Interest rate swaps	1,838	1,838	159	217	936	527	—	—
Cross-currency interest rate swaps	1,277	1,277	—	1,277	—	—	—	—

(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, 2017	December 31, 2018	December 31, 2018
U.S. dollar (1% yen appreciation)	(0)	0	3

(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 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, 2017	December 31, 2018	December 31, 2018
Profit before tax	(112)	(62)	(558)

(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, 2017, or the fiscal year ended December 31, 2018.

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 January 1, 2017 (Transition Date)

(Millions of yen)				
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	3,158	—	3,158
Stocks	52,318	—	15,538	67,856
Total	52,318	3,158	15,538	71,015
Financial liabilities				
Derivative liabilities	—	539	—	539
Total	—	539	—	539

As of December 31, 2017

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	823	—	823
Stocks	54,429	—	17,389	71,818
Total	54,429	823	17,389	72,642
Financial liabilities				
Derivative liabilities	—	511	—	511
Total	—	511	—	511

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, 2018

(Thousands of U.S. dollars)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	1,960	—	1,960
Stocks	405,789	—	130,531	536,320
Total	405,789	1,960	130,531	538,280
Financial liabilities				
Derivative liabilities	—	5,861	—	5,861
Total	—	5,861	—	5,861

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, 2017	December 31, 2018	December 31, 2018
Balance at beginning of period	15,538	17,389	156,789
Other comprehensive income (Note)	1,791	(3,283)	(29,604)
Purchase	305	500	4,511
Sale	(100)	(94)	(849)
Other changes	(144)	(35)	(316)
Balance at end of period	17,389	14,477	130,531

(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 January 1, 2017 (Transition Date)

	Carrying amount	(Millions of yen)			
		Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Long-term loans receivable	9,103	—	9,103	—	9,103
Total	9,103	—	9,103	—	9,103
Liabilities					
Long-term borrowings	129,260	—	127,078	—	127,078
Bonds payable	60,049	—	60,617	—	60,617
Total	189,309	—	187,698	—	187,698

As of December 31, 2017

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Long-term loans receivable	4,694	—	4,696	—	4,696
Bonds	1,000	—	1,041	—	1,041
Total	5,694	—	5,736	—	5,736
Liabilities					
Long-term borrowings	126,573	—	127,018	—	127,018
Bonds payable	59,971	—	60,327	—	60,327
Total	186,544	—	187,344	—	187,344

As of December 31, 2018

(Millions of yen)

	Carrying amount	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, 2018

(Thousands of U.S. dollars)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Long-term loans receivable	4,462	—	4,480	—	4,480
Bonds	45,082	—	46,891	—	46,891
Total	49,544	—	51,371	—	51,371
Liabilities					
Long-term borrowings	1,037,587	—	1,042,846	—	1,042,846
Bonds payable	629,628	—	632,564	—	632,564
Total	1,667,214	—	1,675,410	—	1,675,410

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 January 1, 2017 (Transition Date)

(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	951	951	—	—	—	—	—
Commodity price risk							
Commodity futures	122	122	—	—	—	—	—
Interest rate risk							
Interest rate swaps	37,563	141	4,000	11,515	8,457	8,950	4,500
Interest rate and currency risk							
Cross-currency interest rate swaps	11,806	5,000	5,002	—	1,804	—	—

As of December 31, 2017

(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	1,672	1,672	—	—	—	—	—
Commodity price risk							
Commodity futures	413	413	—	—	—	—	—
Interest rate risk							
Interest rate swaps	37,244	4,000	11,470	8,324	8,950	4,500	—
Interest rate and currency risk							
Cross-currency interest rate swaps	6,806	5,002	—	1,804	—	—	—

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, 2018

(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	10,848	10,848	—	—	—	—	—
Commodity price risk							
Commodity futures	15,390	15,390	—	—	—	—	—
Interest rate risk							
Interest rate swaps	298,748	103,163	74,315	80,696	40,573	—	—
Interest rate and currency risk							
Cross-currency interest rate swaps	16,269	—	16,269	—	—	—	—

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

	As of January 1, 2017 (Transition Date)	As of December 31, 2017	As of December 31, 2018
Cash flow hedges			
Currency risk			
Currency forwards			
USD	101.40 yen to 115.84 yen	101.40 yen to 113.37 yen	108.15 yen to 110.87 yen
EUR	114.80 yen	132.86 yen	126.52 yen to 132.86 yen
Commodity price risk			
Commodity futures			
Frozen concentrated orange juice futures	1.910 to 1.945 dollars/lb.	1.328 to 1.550 dollars/lb.	1.285 to 1.570 dollars/lb.
Interest rate risk			
Interest rate swaps			
Pay fixed, receive floating	0.40% to 2.22%	0.40% to 2.16%	0.40% to 2.16%
Interest rate and currency risk			
Cross-currency interest rate swaps			
Receive JPY, pay USD	81.35 yen to 120.45 yen	97.20 yen to 120.45 yen	120.45 yen
Pay fixed, receive floating	0.13 to 0.45%	0.13 to 0.45%	0.13%

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

As of January 1, 2017 (Transition Date)

(Millions of yen)

	Notional amount	Carrying amount		Consolidated Statement of Financial Position account
		Assets	Liabilities	
Cash flow hedges				
Currency risk				
Currency forwards	951	67	–	Other financial assets
Commodity price risk				
Commodity futures	122	–	2	Other financial liabilities
Interest rate risk				
Interest rate swaps	37,563	15	438	Other financial assets Other financial liabilities
Currency and interest rate risk				
Cross-currency interest rate swaps	11,806	3,036	79	Other financial assets Other financial liabilities

As of December 31, 2017

(Millions of yen)

	Notional amount	Carrying amount		Consolidated Statement of Financial Position account
		Assets	Liabilities	
Cash flow hedges				
Currency risk				
Currency forwards	1,672	15	–	Other financial assets
Commodity price risk				
Commodity futures	413	–	17	Other financial liabilities
Interest rate risk				
Interest rate swaps	37,244	41	293	Other financial assets Other financial liabilities
Currency and interest rate risk				
Cross-currency interest rate swaps	6,806	765	119	Other financial assets Other financial liabilities

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, 2018

(Thousands of U.S. dollars)

	Notional amount	Carrying amount		Consolidated Statement of Financial Position account
		Assets	Liabilities	
Cash flow hedges				
Currency risk				
Currency forwards	10,848	1	75	Other financial assets Other financial liabilities
Commodity price risk				
Commodity futures	15,390	—	1,550	Other financial liabilities
Interest rate risk				
Interest rate swaps	298,748	628	1,838	Other financial assets Other financial liabilities
Currency and interest rate risk				
Cross-currency interest rate swaps	16,269	—	1,277	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)
	January 1, 2017 (Transition Date)	December 31, 2017	December 31, 2018	December 31, 2018
	Cash flow hedge reserve	Cash flow hedge reserve	Cash flow hedge reserve	Cash flow hedge reserve
Cash flow hedges				
Currency risk				
Planned purchases	67	15	(8)	(75)
Commodity price risk				
Planned purchases	(2)	(17)	(172)	(1,550)
Interest rate risk				
Interest payable on borrowings	(423)	(252)	(134)	(1,210)
Currency and interest rate risk				
Foreign currency borrowings and interest payable thereon	(95)	(14)	1	11

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, 2017

(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	(117)	65	Finance costs
Commodity price risk – Commodity futures	2	(17)	Finance costs
Interest rate risk – Interest rate swaps	23	148	Finance costs
Currency and interest rate risk – Cross-currency interest rate swaps	251	(170)	Finance costs

(Note) The above are amounts before tax effects.

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

For the fiscal year ended December 31, 2018

(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	(71)	(134)	Finance costs
Commodity price risk – Commodity futures	(1,214)	(179)	Finance costs
Interest rate risk – Interest rate swaps	1,837	(775)	Finance costs
Currency and interest rate risk – Cross-currency interest rate swaps	1,648	(1,507)	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)		
	January 1, 2017 (Transition Date)			December 31, 2017			As of December 31, 2018			December 31, 2018		
	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value
Currency forwards	1,789	—	23	1,659	—	0	3,693	—	99	33,300	—	894
Currency swaps	116	—	0	—	—	—	—	—	—	—	—	—
Commodity options	13	—	(3)	92	—	(79)	170	—	(76)	1,530	—	(683)
Total	1,919	—	20	1,751	—	(79)	3,863	—	23	34,830	—	211

38. Subsidiaries

The status of major subsidiaries at December 31, 2018, is presented below.

Name	Location	Capital or investments (Millions of yen)	Main business	Ownership ratio (%)	Relationship					
					Interlocking officers, etc.		Financial support	Trade transactions	Facilities leasing	Others
					Company officer (Persons)	Company employee (Persons)				
(Subsidiaries)										
SAPPORO BREWERIES LIMITED	Shibuya-ku, Tokyo	10,000	Japanese Alcoholic Beverages	100.0	0	2	Yes	Contribution for the Group management and others	—	—
SAPPORO INTERNATIONAL INC.	Shibuya-ku, Tokyo	17,503	International	100.0	2	3	Yes	Contribution for the Group management and others	—	—
POKKA SAPPORO FOOD & BEVERAGE LTD.	Naka-ku, Nagoya	5,432	Food & Soft Drinks	100.0	0	0	Yes	Contribution for the Group management and others	—	—
SAPPORO LION LIMITED	Shibuya-ku, Tokyo	4,878	Restaurants	100.0	0	0	None	Contribution for the Group management and others	—	—
SAPPORO REAL ESTATE CO., LTD.	Shibuya-ku, Tokyo	2,080	Real Estate	100.0	1	5	Yes	Contribution for the Group management and others	—	—
SAPPORO GROUP MANAGEMENT LTD.	Shibuya-ku, Tokyo	25	Other	100.0	0	4	Yes	Service contract of indirect operations	Real estate leasing	—
YEBISU WINEMART CO., LTD.	Shibuya-ku, Tokyo	100	Japanese Alcoholic Beverages	100.0 (100.0)	0	1	None	—	—	—
OKINAWA POKKA FOODS CO., LTD.	Kunigami-gun, Okinawa	128	Food & Soft Drinks	100.0 (100.0)	0	1	Yes	—	—	—
POKKA CREATE CO., LTD.	Chiyoda-ku, Tokyo	100	Food & Soft Drinks	100.0 (100.0)	0	1	Yes	—	—	—
FOREMOST BLUE SEAL, LTD.	Urasoe-shi, Okinawa	100	Food & Soft Drinks	99.8 (99.8)	0	1	None	—	—	—
TOKYO ENERGY SERVICE CO., LTD.	Shibuya-ku, Tokyo	490	Real Estate	100.0 (100.0)	0	5	None	—	—	—

Name	Location	Capital or investments (Millions of yen)	Main business	Ownership ratio (%)	Relationship					
					Interlocking officers, etc.		Financial support	Trade transactions	Facilities leasing	Others
					Company officer (Persons)	Company employee (Persons)				
(Subsidiaries) SHINSYU-ICHI MISO CO., LTD.	Higashikurume-shi, Tokyo	72	Other	51.0	1	3	Yes	—	—	—
SAPPORO U.S.A., INC.	New York, New York, USA	7,200 thousand USD	International	100.0 (100.0)	0	3	None	—	—	—
SAPPORO NORTH AMERICA, INC.	New York, New York, USA	0 thousand USD	International	100.0	0	2	None	—	—	—
ANCHOR BREWING COMPANY, LLC	San Francisco, California, USA	105,676 thousand USD	International	100.0 (100.0)	0	3	None	—	—	—
SAPPORO CANADA INC.	Toronto, Ontario, Canada	299,000 thousand CAD	International	100.0 (100.0)	0	4	None	—	—	—
SLEEMAN BREWERIES LTD.	Guelph, Ontario, Canada	50,634 thousand CAD	International	100.0 (100.0)	0	3	None	—	—	—
SAPPORO ASIA PRIVATE LTD	Singapore	97,445 thousand CAD	International	100.0 (100.0)	0	1	None	—	—	—
SAPPORO VIETNAM LTD.	Long An Province, Vietnam	1,912,795 million VND	International	100.0 (100.0)	0	0	None	—	—	—
POKKA CORPORATION (SINGAPORE) PTE. LTD.	Singapore	27 million SGD	Food & Soft Drinks	100.0 (100.0)	0	1	None	—	—	—
POKKA INTERNATIONAL PTE. LTD.	Singapore	5 million SGD	Food & Soft Drinks	100.0 (100.0)	0	1	None	—	—	—
POKKA ACE (MALAYSIA) SDN. BHD.	Selangor, Malaysia	27 million MYR	Food & Soft Drinks	50.0 (50.0)	0	0	None	—	—	—
POKKA (MALAYSIA) SDN. BHD.	Johor, Malaysia	60 million MYR	Food & Soft Drinks	100.0 (100.0)	0	0	None	—	—	—
PT. POKKA DIMA INTERNATIONAL	West Java, Indonesia	200,000 million IDR	Food & Soft Drinks	50.0 (50.0)	0	0	None	—	—	—
SAPPORO LION (SINGAPORE) PTE. LTD.	Singapore	4 million SGD	Restaurants	100.0 (100.0)	0	0	None	—	—	—
Other 46 companies	—	—	—	—	—	—	—	—	—	—

Name	Location	Capital or investments (Millions of yen)	Main business	Ownership ratio (%)	Relationship					
					Interlocking officers, etc.		Financial support	Trade transactions	Facilities leasing	Others
					Company officer (Persons)	Company employee (Persons)				
(Affiliates)										
KEIYO UTILITY CO., LTD.	Funabashi-shi, Chiba	600	Japanese Alcoholic Beverages	20.0 (20.0)	0	0	None	—	—	—
THE CLUB AT YEBISU GARDEN CO., LTD.	Meguro-ku, Tokyo	200	Real Estate	30.0 (30.0)	0	2	None	—	—	—
Other 7 companies	—	—	—	—	—	—	—	—	—	—

- (Notes) 1 The segment names are shown in the “Main business” column.
- 2 The number in parentheses of ownership ratio indicates the indirect ownership ratio included in the number outside.
- 3 SAPPORO BREWERIES LIMITED, SAPPORO INTERNATIONAL INC., POKKA SAPPORO FOOD & BEVERAGE LTD., SAPPORO REAL ESTATE CO., LTD., SAPPORO GROUP MANAGEMENT LTD., and SAPPORO CANADA INC. are specified subsidiaries.
- 4 SAPPORO INTERNATIONAL INC. was merged into SAPPORO BREWERIES LIMITED as of January 1, 2019, and ceased to exist.
- 5 Revenue (excluding internal revenue from consolidated companies) of SAPPORO BREWERIES LIMITED and POKKA SAPPORO FOOD & BEVERAGE LTD. exceeds 10 percent of consolidated revenue. Their key profit or loss information (based on Japanese GAAP) is presented below.

Key profit or loss information	SAPPORO BREWERIES LIMITED	POKKA SAPPORO FOOD & BEVERAGE LTD.
(1) Net sales	250,463 million yen	81,799 million yen
(2) Ordinary profit	5,808 million yen	818 million yen
(3) Profit	3,406 million yen	696 million yen
(4) Net assets	55,440 million yen	25,120 million yen
(5) Total assets	205,217 million yen	63,703 million yen

39. Related Parties

(1) Related party transactions

No significant related party transactions.

(2) Key executives' compensation

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

For the fiscal year ended	(Millions of yen)		(Thousands of U.S. dollars)
	December 31, 2017	December 31, 2018	December 31, 2018
Short-term employee benefits	307	284	2,556
Share-based payments	30	—	—
Total	337	284	2,556

40. 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, 2017	December 31, 2018	December 31, 2018
Acquisition of property, plant and equipment	2,101	3,960	35,702
Acquisition of investment property (Note)		4,127	37,210
Acquisition of intangible assets	—	269	2,430

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

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, 2017	December 31, 2018	December 31, 2018
Ordinary customers/suppliers	502	100	902
Employees (home acquisition funding)	272	195	1,761
Total	774	295	2,663

(2) Litigation matters

Not applicable.

42. Significant Events after Reporting Period

At the Board of Directors meeting held on January 31, 2019, the Company resolved to transfer the following investment property (trust beneficiary rights) owned by Sapporo Real Estate Co., Ltd., a consolidated subsidiary of the Company.

1. Reason for transfer

To strategically restructure the property portfolio as well as to diversify funding and enhance business function through real estate securitization.

2. Assets to be transferred

One investment property located in Shibuya-ku, Tokyo

3. Overview of transferee

The transferee is a newly established domestic limited liability company (specified purpose company).

4. Date of purchase and sale agreement

March 20, 2019

5. Closing date

March 20, 2019

6. Transfer price

8,586 million yen (77,414 thousand U.S. dollars)

7. Effect on profit or loss

In conjunction with the transfer, a gain on the sale of the property of 1,880 million yen (16,949 thousand U.S. dollars) is expected to be recognized in other operating income in the fiscal year ending December 31, 2019.

43. First-time Adoption

The Group started to disclose the consolidated financial statements in accordance with IFRS from the first quarter of the fiscal year ended December 31, 2018. The last consolidated financial statements prepared in accordance with generally accepted accounting principles in Japan (“JGAAP”) were as of and for the fiscal year ended December 31, 2017, and the Transition Date is January 1, 2017.

As a general rule, IFRS requires a first-time adopter to apply IFRS retrospectively. IFRS 1, however, provides exemptions under which a first-time adopter may elect not to apply certain other IFRS retrospectively and exceptions that prohibit retrospective application of certain other IFRS.

Exemptions applied by the Group are as follows:

- Business combinations

A first-time adopter may elect not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before the date of transition to IFRS. The Group applied such exemption and elected not to apply IFRS 3 retrospectively to business combinations that had occurred before the Transition Date with certain exceptions. As a result, the amount of goodwill in business combinations that had occurred before the Transition Date was presented at its carrying amount in accordance with JGAAP at the Transition Date. Regardless of whether there is any indication that the goodwill may be impaired, the Group tested the goodwill for impairment at the Transition Date.

- Deemed cost

With respect to items of property, plant and equipment and intangible assets, IFRS 1 permits a first-time adopter to use their fair value at the date of transition to IFRS as their deemed cost at that date. For certain items of property, plant and equipment, the Group used their fair value at the Transition Date as their deemed cost at that date.

- Exchange differences on translation of foreign operations

In accordance with IFRS 1, the cumulative translation differences for foreign operations may be deemed to be zero at the date of transition to IFRS. The Group elected to deem the cumulative translation differences for foreign operations to be zero at the Transition Date.

- Designation of financial instruments recognized before the Transition Date

With respect to the classification described in IFRS 9, IFRS 1 permits a first-time adopter to assess financial assets on the basis of the facts and circumstances that exist at the date of transition to IFRS, instead of those that existed at the initial recognition. In addition, a first-time adopter may designate changes in the fair value of equity instruments as financial assets measured at fair value through other comprehensive income on the basis of the facts and circumstances that exist at the date of transition to IFRS. For the classification described in IFRS 9, the Company assessed financial assets on the basis of the facts and circumstances that existed at the Transition Date and designated certain equity instruments as financial assets measured at fair value through other comprehensive income.

- Leases as lessee

When a first-time adopter that is a lessee recognizes lease liabilities and right-of-use assets, for all of its leases, IFRS 1 permits it to measure the lease liabilities and right-of-use assets at the date of transition to IFRS. The Group measured lease liabilities at the Transition Date at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the Transition Date. The Group also measured right-of-use assets at the Transition Date at an amount equal to the lease liabilities. For leases for which the lease term ends within 12 months of the Transition Date and leases for which the underlying asset is of low value, the Group recognizes the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Reconciliations required by IFRS 1 are presented below. “Reclassification” in the following reconciliations includes items that do not affect retained earnings or comprehensive income. “Recognition and measurement difference” includes items that affect retained earnings or comprehensive income.

Reconciliations of equity as of January 1, 2017 (Transition Date)

(Millions of yen)

Account under JGAAP	JGAAP	Reclassificati-on	Recognition and measurement difference	IFRS	Note	Account under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	10,589	(114)	—	10,476		Cash and cash equivalents
Notes and accounts receivable - trade	96,851	(82)	(194)	96,574	i	Trade and other receivables
Merchandise and finished goods	24,657	(24,657)	—	—		
Raw materials and supplies	13,315	(13,315)	—	—		
	—	38,343	(724)	37,619	i	Inventories
	—	7,452	2,516	9,967	vi	Other financial assets
Other	15,213	(7,696)	(131)	7,386		Other current assets
Deferred tax assets	3,640	(3,640)	—	—		
Allowance for doubtful accounts	(82)	82	—	—		
	164,184	(3,627)	1,466	162,022		Subtotal
	—	359	—	359		Assets held for sale
Total current assets	164,184	(3,269)	1,466	162,381		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	345,496	(223,544)	29,651	151,602	iii, iv	Property, plant and equipment
Intangible assets						
Goodwill	27,439	—	(5,956)	21,483	v	Goodwill
Other	10,511	(409)	202	10,305		Intangible assets
	—	223,595	—	223,595		Investment property
Investments and other assets						
Investment securities	59,296	(59,296)	—	—		
	—	372	—	372		Investments accounted for using equity method
	—	68,783	10,495	79,278	vi	Other financial assets
Long-term loans receivable	4,790	(4,790)	—	—		
Other	14,760	(6,265)	426	8,921		Other non-current assets
Deferred tax assets	1,071	(3,308)	4,414	2,176	ii	Deferred tax assets
Allowance for doubtful accounts	(1,195)	1,195	—	—		
Total non-current assets	462,168	(3,666)	39,231	497,733		Total non-current assets
Total assets	626,352	(6,935)	40,697	660,114		Total assets

(Millions of yen)

Account under JGAAP	JGAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Account under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable - trade	38,503	—	(43)	38,460		Current liabilities
Short-term loans payable	30,337	(30,337)	—	—		Trade and other payables
Commercial papers	33,000	(33,000)	—	—		
Current portion of bonds	10,083	(10,083)	—	—		
	—	73,421	2,159	75,580	vi	Bonds and borrowings
Lease obligations	3,024	—	3,584	6,609	iv	Lease liabilities
Income taxes payable	1,681	—	(111)	1,570		Income taxes payable
	—	32,988	120	33,108	vi	Other financial liabilities
Provision for bonuses	2,980	(2,980)	—	—		
Accrued alcohol tax	34,228	(34,228)	—	—		
Deposits received	8,215	(8,215)	—	—		
Other	50,072	12,338	4,014	66,424	vii	Other current liabilities
Total current liabilities	212,123	(96)	9,724	221,750		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	50,129	(50,129)	—	—		
Long-term loans payable	114,594	(114,594)	—	—		
	—	164,723	512	165,235	vi	Bonds and borrowings
	—	47,609	517	48,125	vi	Other financial liabilities
Net defined benefit liability	8,996	—	—	8,996		Retirement benefit liability
Lease obligations	6,969	—	17,654	24,623	iv	Lease liabilities
Guarantee deposits received	33,242	(33,242)	—	—		
Other	15,115	(14,367)	1,941	2,689		Other non-current liabilities
Deferred tax liabilities	18,804	(6,839)	14,490	26,455	ii	Deferred tax liabilities
Total non-current liabilities	247,848	(6,839)	35,113	276,122		Total non-current liabilities
Total liabilities	459,971	(6,935)	44,837	497,872		Total liabilities
Net assets						Equity
Capital stock	53,887	—	—	53,887		Share capital
Capital surplus	46,089	—	(5,383)	40,706	v	Capital surplus
Treasury shares	(1,796)	—	—	(1,796)		Treasury shares
Retained earnings	41,932	—	(5,617)	36,315	ix	Retained earnings
Accumulated other comprehensive income	20,574	—	7,941	28,515	viii	Other components of equity
				157,628		Total equity attributable to owners of parent
Non-controlling interests	5,694	—	(1,081)	4,613		Non-controlling interests
Total net assets	166,381	—	(4,140)	162,241		Total equity
Total liabilities and net assets	626,352	(6,935)	40,697	660,114		Total liabilities and equity

Reconciliations of equity as of December 31, 2017

(Millions of yen)

Account under JGAAP	JGAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Account under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	12,718	(181)	—	12,537		Cash and cash equivalents
Notes and accounts receivable - trade	98,605	(103)	(176)	98,325	i	Trade and other receivables
Merchandise and finished goods	24,681	(24,681)	—	—		
Raw materials and supplies	13,638	(13,638)	—	—		
	—	38,718	(846)	37,873	i	Inventories
	—	8,216	892	9,107	vi	Other financial assets
Other	15,413	(8,433)	(66)	6,914		Other current assets
Deferred tax assets	3,900	(3,878)	(22)	—		
Allowance for doubtful accounts	(103)	103	—	—		
Total current assets	168,852	(3,878)	(219)	164,755		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	343,763	(219,266)	26,837	151,334	iii, iv	Property, plant and equipment
Intangible assets						
Goodwill	26,948	—	(2,006)	24,942	v	Goodwill
Other	13,575	(391)	155	13,339		Intangible assets
	—	219,658	—	219,658		Investment property
Investments and other assets						
Investment securities	62,146	(62,146)	—	—		
	—	391	—	391		Investments accounted for using equity method
	—	66,904	11,773	78,677	vi	Other financial assets
Long-term loans receivable	428	(428)	—	—		
Other	14,828	(5,938)	419	9,309		Other non-current assets
Deferred tax assets	1,306	(5,201)	6,220	2,326	ii	Deferred tax assets
Allowance for doubtful accounts	(1,216)	1,216	—	—		
Total non-current assets	461,779	(5,201)	43,398	499,976		Total non-current assets
Total assets	630,631	(9,079)	43,179	664,731		Total assets

(Millions of yen)

Account under JGAAP	JGAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Account under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable - trade	36,530	—	(43)	36,488		Current liabilities
Short-term loans payable	37,882	(37,882)	—	—		Trade and other payables
Commercial papers	32,000	(32,000)	—	—		
Current portion of bonds	10,068	(10,068)	—	—		
	—	79,950	765	80,716	vi	Bonds and borrowings
Lease obligations	2,691	—	3,842	6,533	iv	Lease liabilities
Income taxes payable	5,202	—	5	5,207		Income taxes payable
	—	33,060	216	33,277	vi	Other financial liabilities
Provision for bonuses	3,090	(3,090)	—	—		
Accrued alcohol tax	34,408	(34,408)	—	—		
Deposits received	7,817	(7,817)	—	—		
Other	50,484	12,255	3,850	66,590	vii	Other current liabilities
Total current liabilities	220,173	(0)	8,636	228,809		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	50,061	(50,061)	—	—		
Long-term loans payable	103,578	(103,578)	—	—		
	—	153,639	(455)	153,184	vi	Bonds and borrowings
	—	45,548	408	45,956	vi	Other financial liabilities
Net defined benefit liability	5,493	—	790	6,283		Retirement benefit liability
Lease obligations	5,960	—	18,335	24,295	iv	Lease liabilities
Guarantee deposits received	31,086	(31,086)	—	—		
Other	15,324	(14,462)	1,759	2,621		Other non-current liabilities
Deferred tax liabilities	21,292	(9,079)	15,658	27,872	ii	Deferred tax liabilities
Total non-current liabilities	232,795	(9,079)	36,496	260,212		Total non-current liabilities
Total liabilities	452,968	(9,079)	45,132	489,021		Total liabilities
Net assets						Equity
Capital stock	53,887	—	—	53,887		Share capital
Capital surplus	46,091	—	(5,266)	40,825	v	Capital surplus
Treasury shares	(1,807)	—	—	(1,807)		Treasury shares
Retained earnings	50,023	—	(5,532)	44,491	ix	Retained earnings
Accumulated other comprehensive income	25,274	—	9,385	34,659	viii	Other components of equity
				172,055		Total equity attributable to owners of parent
Non-controlling interests	4,195	—	(539)	3,655		Non-controlling interests
Total net assets	177,663	—	(1,952)	175,710		Total equity
Total liabilities and net assets	630,631	(9,079)	43,179	664,731		Total liabilities and equity

Notes to reconciliations of equity

(1) Reclassification

A. Trade and other receivables

“Notes and accounts receivable - trade” and “allowance for doubtful accounts,” which were presented separately under JGAAP, are presented as “trade and other receivables” under IFRS.

B. Inventories

“Merchandise and finished goods” and “raw materials and supplies,” which were presented separately, and work in process included in “other,” under JGAAP, are presented as “inventories” under IFRS.

C. Other financial assets and other financial liabilities

In accordance with presentation requirements of IFRS, “other financial assets” and “other financial liabilities” are presented separately.

“Investment securities” and “long-term loans receivable,” which were presented separately, and lease and guarantee deposits included in “other,” within non-current assets under JGAAP, are included in “other financial assets” under IFRS.

In addition, “deposits received” presented separately within current liabilities under JGAAP is included in “other financial liabilities” under IFRS.

D. Deferred tax assets and deferred tax liabilities

“Deferred tax assets” and “deferred tax liabilities,” which were presented separately within current assets and current liabilities, respectively, under JGAAP, are reclassified to non-current since they all shall be classified as non-current under IFRS.

E. Assets held for sale

In accordance with IFRS 5, “assets held for sale” is presented separately.

F. Investment property

Under JGAAP, non-current assets that meet the definition of investment property was included in “property, plant and equipment” within non-current assets. Under IFRS, they are presented as “investment property.”

(2) Recognition and measurement difference

i. Trade and other receivables and inventories

Under JGAAP, revenue for certain transactions was recognized at the point of shipment. Under IFRS, revenue is mainly recognized upon delivery.

In addition, under JGAAP, goods mainly held for advertisement and promotion purposes were recognized as inventories. Under IFRS, they are recognized as expenses when purchased.

ii. Deferred tax assets, deferred tax liabilities

Amounts of deferred tax assets and deferred tax liabilities have been adjusted for reasons such as temporary differences arising from adjustments from JGAAP to IFRS.

iii. Property, plant and equipment

In line with adoption of IFRS, the Group changed the depreciation method and other details of property, plant and equipment, and the carrying amount was reduced accordingly. In addition, for certain property, plant and equipment items, the Group applied the exemption that a first-time adopter may elect to use fair value at the date of transition to IFRS as deemed cost. The carrying amount of those property, plant and equipment items before the use of their fair value at the Transition Date as their deemed cost was 39,044 million yen, and their total fair value was 71,253 million yen.

iv. Lease liabilities

Under JGAAP, leases as lessee were classified into finance leases and operating leases. Operating leases were accounted for in a manner similar to accounting treatment for ordinary rental transactions. Under IFRS, leases as lessee are not

classified into finance leases and operating leases, so the Group records both lease assets (right-of-use assets) and lease obligations (lease liabilities) for leases.

v. Goodwill

Under JGAAP, goodwill was amortized on a straight-line basis over a reasonable period up to 20 years. Under IFRS, the Group ceased to amortize goodwill at the Transition Date and tests goodwill for impairment at the end of each reporting period.

In addition, under JGAAP, changes in ownership interests in a subsidiary that do not result in a loss of control (additional acquisition) were accounted for as adjustments to goodwill as external transactions. Under IFRS, such changes are accounted for as equity transactions, so “capital surplus” changes with no adjustment to goodwill.

vi. Bonds payable, borrowings, other financial assets, other financial liabilities

Under JGAAP, the Group accounted for an unlisted equity security at cost and, if necessary, recognized impairment losses according to deterioration in the financial position of the issuer. Under IFRS, the Group has elected to measure unlisted equity securities at fair value through other comprehensive income.

In addition, under JGAAP, the Group applied the exceptional treatment to interest rate swaps that meet certain criteria. Under IFRS, the Group has applied hedge accounting to them, recorded bonds payable, borrowings, and derivative assets and derivative liabilities, and recognized valuation differences in other comprehensive income.

vii. Other current liabilities

Unused paid absences, which were not required to be accounted for under JGAAP, are recognized as liabilities under IFRS.

viii. Other components of equity

Cumulative translation differences for all foreign operations under JGAAP were transferred to “retained earnings” at the Transition Date.

Under JGAAP, the Group accounted for an unlisted equity security at cost and, if necessary, recognized impairment losses according to deterioration in the financial position of the issuer. Under IFRS, the Group has elected to measure unlisted equity securities at fair value through other comprehensive income.

Under JGAAP, past service cost was recognized in net assets through other comprehensive income when it arose and was expensed over a certain number of years within the average remaining years of service of the employees. Under IFRS, past service cost is recognized in full in profit or loss when it arises.

ix. Retained earnings

The effect on retained earnings of adjustments concomitant with adoption of IFRS is presented below. The amounts in the table below are adjusted for related tax effects and non-controlling interests.

(Millions of yen)

	As of January 1, 2017 (Transition Date)	As of December 31, 2017
Trade and other receivables and inventories (see i)	(418)	(510)
Property, plant and equipment (see iii)	(1,610)	(4,851)
Lease liabilities (see iv)	252	217
Goodwill (see v)	–	3,904
Other financial assets, other financial liabilities (see vi)	263	275
Other current liabilities (see vii)	(2,739)	(2,643)
Other components of equity (see viii)	(1,382)	(1,739)
Other	16	(185)
Total adjustments to retained earnings	(5,617)	(5,532)

Reconciliations of profit or loss and comprehensive income for the fiscal year ended December 31, 2017

(Millions of yen)

Account under JGAAP	JGAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Account under IFRS
Net sales	551,549	—	(14,963)	536,585	i	Revenue
Cost of sales	358,573	—	14,576	373,148	i, ii, iv	Cost of sales
Gross profit	192,976	—	(29,539)	163,437		Gross profit
Selling, general and administrative expenses	175,944	—	(29,952)	145,991	i, ii, iii, iv	Selling, general and administrative expenses
	—	2,716	(1,687)	1,029		Other operating income
	—	5,813	(144)	5,669		Other operating expenses
Operating profit	17,033	(3,097)	(1,130)	12,806		Operating profit
Non-operating income	2,093	(2,093)	—	—		
Non-operating expenses	2,715	(2,715)	—	—		
Extraordinary income	6,814	(6,814)	—	—		
Extraordinary losses	5,423	(5,423)	—	—		
	—	6,171	(4,833)	1,338	v	Finance income
	—	2,324	302	2,626		Finance costs
	—	19	(0)	19		Share of profit of investments accounted for using equity method
Profit before income taxes	17,802	—	(6,264)	11,538		Profit before tax
Income taxes	8,182	—	(3,012)	5,170	v	Income tax expense
Profit	9,619	—	(3,252)	6,367		Profit
Other comprehensive income						Other comprehensive income
Valuation difference on other securities	3,416	—	4,785	8,202	v	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	189	—	348	537	iv	Remeasurements of defined benefit plans
Foreign currency translation adjustment	1,019	—	13	1,032		Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	(60)	—	174	114		Effective portion of net change in fair value of cash flow hedges
Comprehensive income	14,184	—	2,068	16,252		Comprehensive income

Notes to reconciliations of profit or loss and comprehensive income

(1) Reclassification

A. Other operating income, other operating expenses, finance income, finance costs, and share of profit of investments accounted for using equity method

With respect to items presented in “non-operating income,” “non-operating expenses,” “extraordinary income” and “extraordinary losses” under JGAAP, the Group has reclassified financial items into “finance income” or “finance costs” and other items into “other operating income,” “other operating expenses” or “share of profit of investments accounted for using equity method” in accordance with IFRS.

(2) Recognition and measurement difference

i. Revenue, cost of sales, and selling, general and administrative expenses

Under JGAAP, some rebates and other related costs were presented in “selling, general and administrative expenses.” Under IFRS, these costs are deducted from “revenue.”

Under JGAAP, revenue for certain transactions was recognized at the point of shipment. Under IFRS, revenue is mainly recognized upon delivery.

ii. Cost of sales and selling, general and administrative expenses

As the Group changed the depreciation method and other details of property, plant and equipment in line with adoption of IFRS, depreciation included in cost of sales and selling, general and administrative expenses has been changed.

iii. Selling, general and administrative expenses

Under JGAAP, the Group estimated a period during which goodwill would have an effect and amortized it over the period. Under IFRS, the Group ceased to amortize goodwill at the Transition Date.

iv. Cost of sales, selling, general and administrative expenses, and remeasurements of defined benefit plans

Under JGAAP, past service cost was recognized in net assets through “other comprehensive income” when it arose and was expensed using the straight-line method over a certain number of years within the average remaining years of service of the employees. Under IFRS, past service cost is recognized in full in profit or loss when it arises.

v. Income tax expense, financial assets measured at fair value through other comprehensive income

Under JGAAP, the Group recognized gain on sales of investment securities and tax on the gain in “extraordinary income” and “income taxes - current,” respectively. Under IFRS, an entity may designate equity instruments as financial assets measured at fair value through other comprehensive income, and the Group has recognized gain on sales of designated equity instruments as “other comprehensive income.”

Adjustments to cash flows for the fiscal year ended December 31, 2017

The main difference between the JGAAP-basis consolidated statement of cash flows and IFRS-basis consolidated statement of cash flows is that lease payments from operating leases, which are cash flows from operating activities under JGAAP, have become cash flows from financing activities as repayments of lease obligations as a result of adoption of IFRS 16.

(2) Other information

Quarterly information in the fiscal year ended December 31, 2018 and other information

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Full year
Revenue (Millions of yen)	111,342	241,740	381,044	521,856
Profit (loss) before tax (Millions of yen)	(6,053)	(3,641)	5,712	9,492
Profit (loss) attributable to owners of parent (Millions of yen)	(4,286)	(2,516)	4,209	8,521
Basic earnings (loss) per share (Yen)	(55.03)	(32.30)	54.04	109.40

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings (loss) per share (Yen)	(55.03)	22.73	86.34	55.37

Quarterly information in the fiscal year ended December 31, 2018 and other information

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Full year
Revenue (Thousands of U.S. dollars)	1,003,895	2,179,609	3,435,616	4,705,220
Profit (loss) before tax (Thousands of U.S. dollars)	(54,573)	(32,828)	51,500	85,586
Profit (loss) attributable to owners of parent (Thousands of U.S. dollars)	(38,646)	(22,684)	37,949	76,830
Basic earnings (loss) per share (U.S. dollars)	(0.50)	(0.29)	0.49	0.99

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings (loss) per share (U.S. dollars)	(0.50)	0.20	0.78	0.50